FY 2026
Quarterly Financial Report
THE BUDGET IN REVIEW

BY LEGISLATIVE FISCAL DIVISION STAFF

DECEMBER 18, 2025

OVERVIEW

FY 2027 General Fund Forecast Ending Balance Updated Estimate: $362.4 million

Including the actions of federal H.R. 1 (see here) the FY 2027 general fund ending fund balance increased from the end of session anticipated $324.4 million to $362.4 million. However, the updated FY 2027 general fund ending fund balance is lower than the estimate in the September FYE 2025 report, which was $591.7 million. The largest items that impact the balance sheet are:

- $193.3 million higher revenues in FY 2025 as reported in September FYE 2025 report
- $102.2 million lower expenditures in FY 2025 as reported in September FYE 2025 report
- Income tax reductions caused by the federal H.R. 1 of $220.9 million
- FY 2027 additional expenditures for Supplemental Nutrition Assistance Program (SNAP) of $8.4 million due to H.R. 1.
- Various reversions and non-K-12 supplementals are not included in the balance

The General Fund Balance table illustrates the current estimates and adjustments.

Ending Fund Balance

This $362.4 million ending fund balance is above the 4% minimum of $139.5 million ending fund balance required by statute and above the 8.3% statutory recommended operating reserve level of $289.4 million. While the ending fund balance forecast is sufficient, it is significantly lower than in recent years and is eroding long term.

Structural Balance

Including the impact of H.R. 1, the structural balance is estimated to be out of balance, or **negative**, beginning in FY 2027. The ongoing revenue in FY 2027 is $35.8 million or about 1% less than ongoing expenditures. This structural balance is significantly lower than recent years, and actions in the 2025 Legislative Session reduced the structural balance.

General Fund Balance

All values in millions of dollars

This document illustrates the **current** status of anticipated revenues and expenditures through FY 2027. The chart illustrates **structural balance**, or the relationship between ongoing revenues and ongoing expenditures.

Fiscal Year	2025	2026	2027
Beginning Fund Balance	$1,039.2	$769.0	$645.8
Revenue			
HJ 2 Revenues plus legislation			
Ongoing	3,459.3	3,429.7	3,342.3
OTO	-	68.5	22.7
HR 1 reductions	-	(106.7)	(114.2)
Adjustments	(18.2)		
Total Funds Available	$4,480.4	$4,160.5	$3,896.5
Expenditure			
Statutory Appropriations	328.3	338.4	347.2
Non-Budgeted Transfers	13.2	131.9	217.6
HB 2			
Ongoing	2,215.0	2,434.6	2,537.0
OTO	42.8	38.4	29.9
Other			
Ongoing	123.9	117.0	163.1
OTO	988.2	463.5	240.4
Assumptions			
HR 1 SNAP supplemental			8.4
Reversions	-	(9.0)	(9.4)
Total Expenditures	$3,711.4	$3,514.7	$3,534.1
General Fund Ending Fund Balance	**$769.0**	**$645.8**	**$362.4**
Structural balance (Ongoing revenue less Ongoing expenditures)	$778.9	$310.1	($35.8)

The following section is an excerpt from the [2027 Biennium Fiscal Report] of session fiscal action. It describes how the structural balance was reduced by the legislature in the 2025 session. Of the $422 million in planned structural balance reduction,

- $279 million or 66% was due to tax reductions: Income Tax ($191 million), Property Tax ($76 million), and other revenue ($12 million)
- $92 million or 22% was due to transfers to the GO Trust, and
- $51 million or 12% was due to expenditure increases above present law and inflation adjustments.

From the 2025 Fiscal Report *(page 9)*

Ongoing Impacts to Structural Balance: $422 Million in FY 2027

In the last year of the biennium, FY 2027, ongoing allocations of general fund total $422 million.

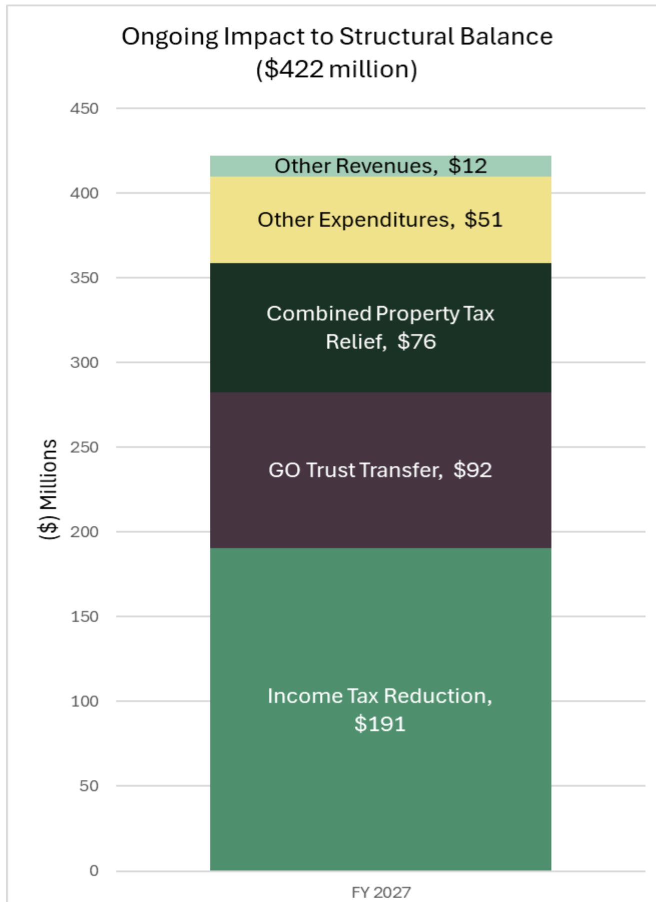
1) The largest ongoing impact to the general fund structural balance is the income tax reduction of $191 million in HB 337.

2) The second largest is the ongoing transfer to the GO Trust of $92 million in HB 924. As described on page 60, the transfers to the GO Trust may be reduced or eliminated if the general fund balance is lower than the statutorily recommended levels, thus are less mandatory than other areas of the budget.

3) Property tax relief items total $76 million in the combination of passed and approved property tax legislation

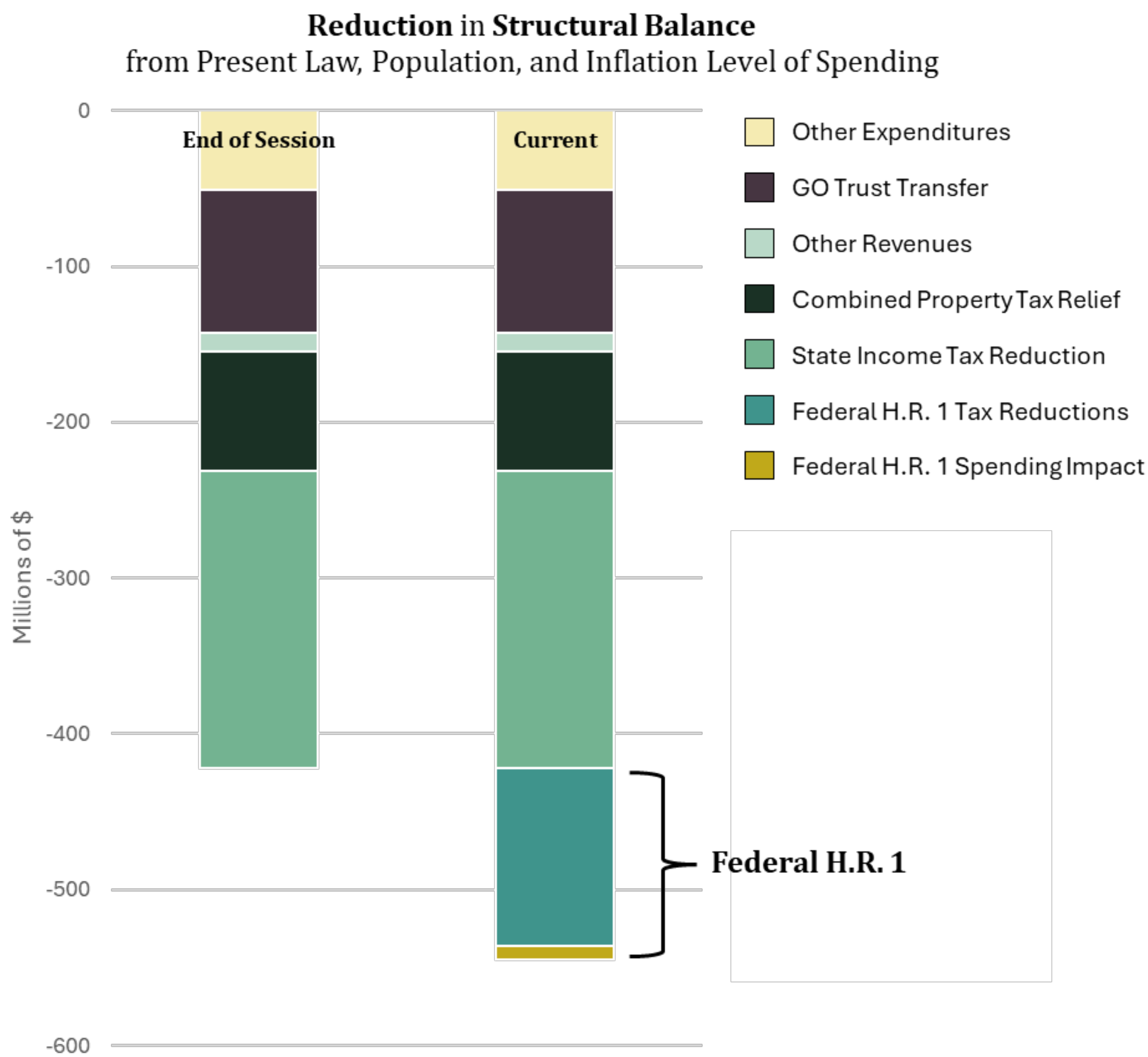
4) Other ongoing expenditure items total $51 million in HB 2 and other legislation

Other revenue reduction impacts total $12 million



Changes associated with federal action in H.R. 1 lead to an additional $114 million in tax reductions and $8.4 million required to offset federal obligations in the SNAP program. The total structural balance reduction from the present law and inflation level of funding is $544.6 million of which:

- 72% is due to tax reductions (Income Tax $305 million, Property Tax $76 million, and other revenue - $12 million),
- 17% due to transfers to GO trust, and
- 11% to expenditure increases or fund switch from federal funding ($51 million from the 2025 session plus $8.4 million fund shift to general fund due to H.R. 1 SNAP).

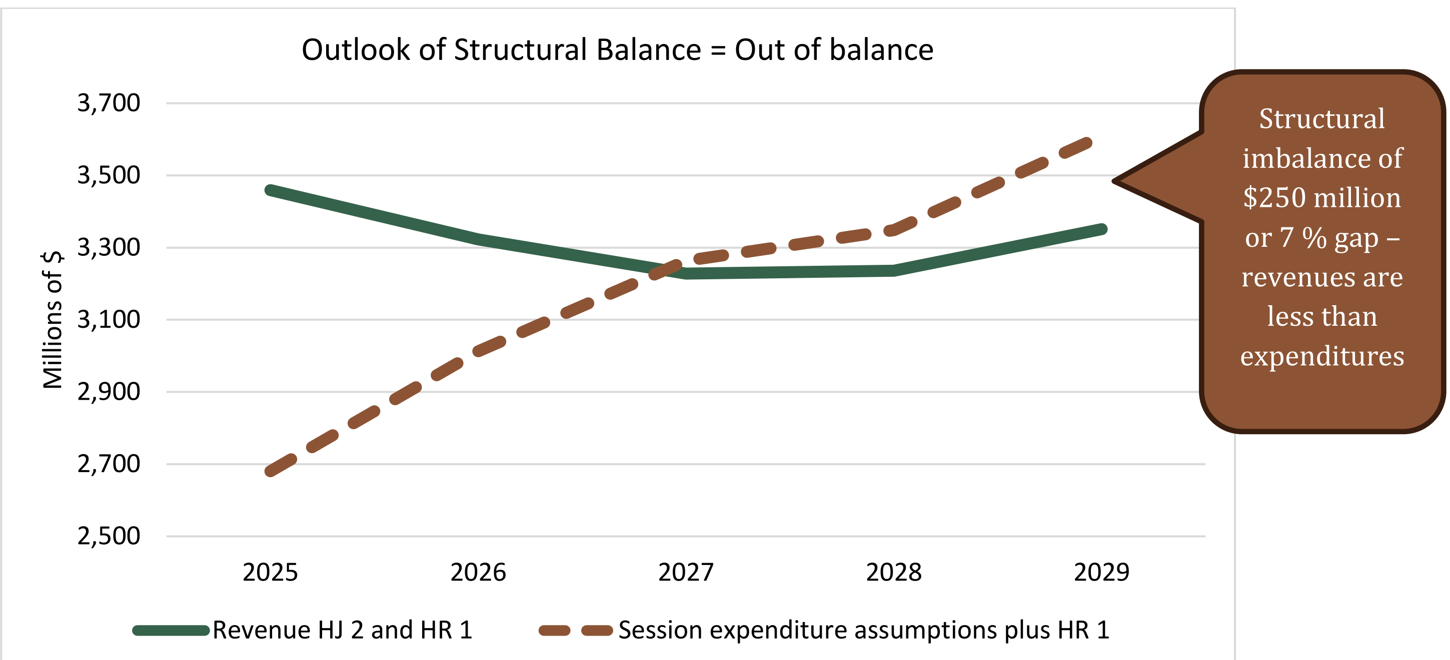


The General Fund Outlook for the 2029 Biennium

The following analysis of the general fund outlook through FY 2029 includes several assumptions made by the Legislative Fiscal Division (base assumptions from the Budget Analysis for the 2025 Session), the Office of Budget and Program Planning (fiscal notes) and assumptions for H.R. 1 for FY 2028 and FY 2029. As the 2027 biennium unfolds, more information will become available and will inform the ability of the legislature and governor to make policy choices in the 2027 Legislative Session that will adjust this structural imbalance.

FY 2027 as left by the 2025 Legislature had a positive structural balance, but in FY 2029, revenue is further reduced by $88 million in income tax and $46 million in property taxes and the structural balance becomes imbalanced. This imbalance is significantly exacerbated by federal action in H.R. 1 for revenues, but also expenditures. H.R. 1 includes a SNAP state match requirement for benefits tied to payment error rate, which begins in SFY 2028. H.R. 1 is estimated to generate some general fund savings in the Medicaid program, which may offset additional state SNAP costs in future years[1].

The structural **imbalance** anticipated in FY 2029 is $250 million (see following graphic). This projection is based on LFD revenue and expenditure assumptions that include all impacts from H.R. 1, including potential savings from H.R.1 work requirements for Medicaid.



In addition to the underlying structural imbalance, economic conditions are not as favorable as they have been over the last several years, and revenues could be lower than HJ 2. This could further challenge the legislature in the 2027 session.

[1] H.R.1-reduced general fund spending in the Medicaid program is tied to CBO projections on reduced federal expenditures, which are expected to shrink enrollment in both traditional and expansion Medicaid over time. This projection assumes reduced federal costs are 70% in Medicaid expansion and 30% in traditional Medicaid in FY 2028 and 2029.

FY 2026 Agency Expenditure Highlights

Agencies with significant budget highlights from July 1-December 1 of FY 2026 are included in this section. Detailed spending by each agency is provided in reports to the Interim Budget Committees.

Department of Public Health and Human Services (DPHHS)

Supplemental Risks

The Department of Public Health and Human Services projects a budget shortfall of $29.1 million general fund at the end of the fiscal year. This includes $12.6 million in the Healthcare Facilities Division primarily due to shortfalls in the operating expense category; $6.9 million in the Health Resources Division due to projected shortfalls in Medicaid benefits; and $6.9 million in the Senior and Long-Term Care Division due to projected shortfalls in Medicaid benefits. DPHHS will update this projected budget status as the fiscal year unfolds.

Behavioral Health Systems for Future Generations (BHSFG) State Special Revenue Fund

The legislature approved $109.4 million in all funds over the course of the biennium for initiatives falling under the purview of the fund and established purposes outlined in MCA 50-1-119; of which, $45.3 million was appropriated for FY 2026. As of November 30, 2025, the fund balance for the BHSFG state special revenue fund (MCA 50-1-119) was $173.5 million. If all budgeted funds for FY 2026 are expended, the remaining fund balance at the end of the fiscal year will total $130.0 million.

In addition to the state special revenue funds, there is $75.0 million from the capital developments long-range building program account established in 17-7-209 MCA which has been set aside for the purposes of improving the state-wide behavioral health system; $26.5 million of this amount is to be transferred to the Board of Investments for the purposes of building a behavioral health facility as specified in HB 5 (2025). Of the remaining $48.5 million, the agency transferred $6.5 million to the Department of Administration for Montana State Hospital roof improvements and further funding to convert the Spratt unit at the Montana State Hospital to a forensic unit.

Department of Revenue (DOR)

The Department of Revenue made numerous budget modifications through the midpoint of FY 2026. The largest modification was the consolidation of the Cannabis Control Division (CCD) and Alcoholic Beverage Control Division (ABCD) into the Cannabis and Alcohol Regulation Division (CARD). This modification moves the 35.00 PB from CCD, as well as the $97.1 million in state special revenue appropriations into ABCD, while also renaming the division to CARD. The newly renamed division has 68.00 PB and $321.1 million in appropriations ($97.1 million in state special revenue funding and $224.1 million in proprietary funding).

Department of Natural Resources and Conservation (DNRC)

Wildfire suppression account (76-13-150, MCA)

The wildfire suppression account is statutorily appropriated for fire suppression, fuels reduction, and fire suppression equipment. In FY 2026 through November 30, expenditures out of the wildfire suppression account totaled $68.6 million. There was a transfer of $18.6 million into the fund in FY 2026 from the unexpended amount of the executive's emergency appropriation.

Statute provides authority for the agency to reserve funds for fire prevention and preparedness if the fire fund ending fund balance exceeds 3% of all general revenue appropriations. As of FYE 2025, the ending fund balance did not exceed this trigger, meaning the agency does not have statutory authority in FY 2026 to expend fire fund resources on fire prevention and preparedness activities, preserving the funds for fire suppression.

The ending fund balance of the fire fund is expected to be $10.0 to $30.0 million at fiscal year-end.

HB 2 by Section and Agency

The Legislative Fiscal Division has created a Power BI interactive data tool that illustrates the budgeted and actual expenditures of HB 2 for FY 2025. The budgeted number reflects the FYE modified budget. Detailed budget changes by section, agency, and program can be found in reports given to the Interim Budget Committees.

The Power BI tool allows viewers to pick and choose agencies and drill down deeper into the data. Please note, there are slight differences between the Power BI tool and SABHRS accounting/general fund balance sheet. The link to the Power BI tool can be found below, titled, "Appendix A".

Appendix A

Total Budget by Section and Agency

The Legislative Fiscal Division has created a Power BI interactive data tool that illustrates the budgeted and actual budgets by section and agency. This includes HB 2 authority, statutory appropriation authority, other appropriation bills, and includes all funding like general fund, state, and federal special revenue, and budgeted proprietary funds. The interactive tool shows a comparison of the modified budget to actual expenditures for all state agencies.

The Power BI tool allows viewers to pick and choose agencies and drill down deeper into the data. The link to the Power BI tool can be found below, titled, "Appendix B".

Appendix B

GENERAL FUND REVENUES

General Fund Revenue Summary

This monthly revenue update analyzes revenue collections through the end of November and is designed to apprise interested members of the legislature on year-to-date general revenue collections, recent economic trends, and the outlook for FY 2026 relative to the revenue estimate contained in HJ 2.

FY 2026 general fund revenues are $50.7 million or 4.1% above FY 2025 revenues through the same period. This is in comparison to projected growth of 1.1% that was adopted in HJ 2. Note that this fiscal year the general fund once again includes TCA Interest earnings, which were deposited into the debt and liability free state special revenue fund the last three years.

While revenue collections through November are above the HJ 2 estimate, it is extremely early in the fiscal year, and trends this early are often not indicative of where final collections ultimately end. This can be due to changes in policy that have yet to take effect, changes in taxpayer behavior, and differences in timing from year to year when payments are posted to the accounting system.

Furthermore, individual income tax collections will be impacted due to the passage of H.R. 1 at the federal level. It is likely that the impacts of H.R. 1 will begin to show up in the accounting system in the spring of 2026, when taxpayers will likely receive larger refunds than what would typically be expected.

Throughout the remainder of FY 2026 the LFD will continue to monitor year-to-date collections and update the legislature as collections are posted to the accounting system.

YEAR-TO-DATE GENERAL FUND REVENUE

General Fund and School Equalization Revenue Monitoring Report
($ Millions)

Revenue Source	Actual FY 2025	HJ 2 FY 2026	HJ 2 Est. % Change	November FY 2025	November FY 2026	YTD Difference	YTD % Change	YTD % Change
Largest Six Sources								
Individual Income Tax	$2,329.580	$2,263.262	-2.8%	$917.140	$952.521	$35.381	3.9%	
Corporate Income Tax	321.208	326.235	1.6%	91.841	79.462	(12.379)	-13.5%	
Vehicle Taxes & Fees	135.877	127.009	-6.5%	57.889	50.694	(7.195)	-12.4%	
Oil & Natural Gas Taxes	58.665	69.156	17.9%	-	-	-		
Insurance Tax	127.928	129.850	1.5%	21.728	23.059	1.331	6.1%	
Video Gaming Tax	83.535	86.903	4.0%	42.006	21.037	(20.970)	-49.9%	
Other Business Taxes								
Drivers License Fee	6.284	5.817	-7.4%	2.338	2.429	0.091	3.9%	
Investment Licenses	21.858	22.311	2.1%	1.774	1.781	0.008	0.4%	
Lodging Facilities Sales Tax	49.548	48.108	-2.9%	18.295	18.352	0.058	0.3%	
Public Contractor's Tax	9.189	4.812	-47.6%	5.170	3.311	(1.860)	-36.0%	
Railroad Car Tax	3.495	3.931	12.5%	1.899	2.832	0.933	49.1%	
Rental Car Sales Tax	8.080	8.007	-0.9%	3.730	5.658	1.929	51.7%	
Retail Telecom Excise Tax	8.054	7.755	-3.7%	2.101	1.994	(0.107)	-5.1%	
Other Natural Resource Taxes								
Coal Severance Tax	17.346	12.134	-30.0%	5.175	3.841	(1.334)	-25.8%	
Electrical Energy Tax	4.305	5.543	28.8%	1.016	1.064	0.048	4.7%	
Metal Mines Tax	6.511	6.935	6.5%	-	-	-		
U.S. Mineral Leasing	24.154	14.133	-41.5%	6.105	3.701	(2.404)	-39.4%	
Wholesale Energy Trans Tax	3.690	3.292	-10.8%	0.883	0.936	0.054	6.1%	
Other Interest Earnings								
Coal Trust Interest Earnings	20.337	21.895	7.7%	6.243	7.129	0.885	14.2%	
TCA Interest Earnings[1]	164.804	104.283	-36.7%	60.747	46.423	(14.325)	-23.6%	
Other Consumption Taxes								
Beer Tax	2.905	2.851	-1.9%	0.882	0.853	(0.029)	-3.3%	
Cigarette Tax	18.488	19.231	4.0%	8.205	8.624	0.419	5.1%	
Liquor Excise Tax	33.261	36.185	8.8%	10.885	10.516	(0.369)	-3.4%	
Liquor Profits	18.443	21.800	18.2%	-	-	-		
Lottery Profits	8.630	20.130	133.3%	-	11.353	11.353		
Marijuana Tax	36.729	33.640	-8.4%	-	-	-		
Tobacco Tax	4.828	5.390	11.6%	1.801	1.699	(0.103)	-5.7%	
Wine Tax	2.362	2.575	9.0%	0.655	0.613	(0.042)	-6.4%	
Other Sources								
All Other Revenue	78.703	69.219	-12.1%	34.538	31.910	(2.628)	-7.6%	
Highway Patrol Fines	3.440	3.534	2.7%	1.216	0.932	(0.283)	-23.3%	
Nursing Facilities Fee	3.597	3.609	0.3%	0.841	0.858	0.017	2.0%	
Public Institution Reimbursement	5.385	5.927	10.1%	1.044	2.574	1.530	146.5%	
Tobacco Settlement	2.903	2.776	-4.4%	0.072	-	(0.072)	-100.0%	
General Fund OTO & Transfers		68.541						
Ongoing General Fund Total	3,459.316	3,429.696	-0.9%	1,245.471	1,296.156	50.684	4.1%	
Total General Fund	3,459.316	3,498.237	1.1%	1,245.471	1,296.156	50.684	4.1%	
Property Tax (SEPTR)	410.249	462.208	12.7%	20.418	17.154	(3.264)	-16.0%	
Total General Revenues	$4,034.369	$3,960.446	-1.8%	$1,326.637	$1,313.310	($13.327)	-1.0%	

[1] In FY 2025 TCA Interest Earnings were deposited into a state special revenue fund. They returned to the general fund in FY 2026.

Major Sources

Individual Income Tax: Currently above estimate, but anticipated to end below estimate due to H.R. 1

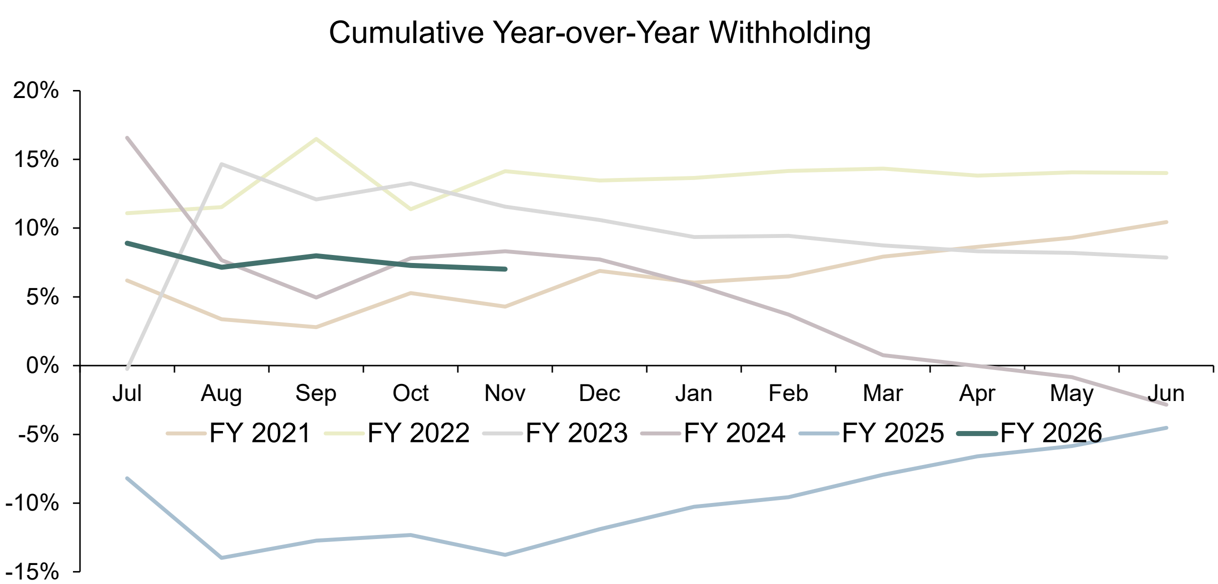
Individual income tax collections through the end of November are $35.4 million or 3.9% above the year-to-date collections in FY 2025 and is currently above the level anticipated in HJ 2. The table below shows the year-over-year individual income tax growth by account.

While growth has been larger than expected early in the year, individual income taxes are ultimately expected to be below the estimate adopted in HJ 2. This is due to the anticipated impacts of H.R. 1, which will likely result in large refunds being issued in the spring of 2026.

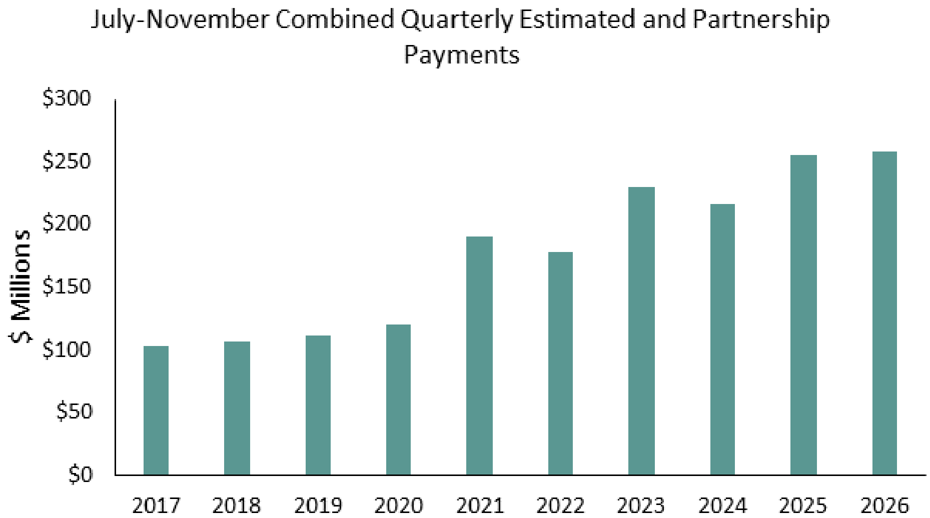
Individual Income Tax ($ Millions)

Account	YTD 2026	YTD 2025	$ Difference	% Difference
Withholding	$562.1	$525.3	$36.9	7.0%
Estimated Payments	183.2	174.2	9.0	5.2%
Current Year Payments	48.8	45.6	3.2	7.1%
Audit, P&I, Amended	29.2	25.3	3.9	15.6%
Refunds	50.8	61.5	(10.7)	-17.4%
Partnership Income Tax	74.8	81.9	(7.1)	-8.7%
Mineral Royalties	3.6	3.4	0.2	5.3%
Total	952.5	917.1	35.4	3.9%

Withholding typically accounts for over 60% of individual income tax and over one-third of total general revenues. As shown in the following chart, withholding growth tends to be relatively variable in the first half of the year, but often stabilizes by February, absent changes in policy. This year, withholding has been fairly consistent, with year-over-year growth of 7.0%. Withholding is often a good proxy for growth in wage income but can be misleading if a sizeable portion of taxpayers are either over or under withholding, the latter of which happened last fiscal year. ***Furthermore, withholding growth rates are expected to begin decreasing when HB 337 is implemented on January 1, 2026.***



While it is early in the fiscal year, quarterly estimated and partnership payments are nearly identical to last year through November as seen in the figure below.



Property Tax (SEPTR): Expected to end slightly above HJ 2

Property tax collections to the School Equalization and Property Tax Reduction (SEPTR) account are expected to end slightly above HJ 2. In HJ 2 this source was expected to grow by 12.7%. More recent tax assessment data from the Department of Revenue places the total estimate near $469.5 million. Property taxes are made in two payment periods: one in November, and one in May. Few of the November payments are likely to have been booked at this point in the fiscal year, so more information will come with the December and January updates. Property tax is anticipated to come in close to the estimate, as it is a source that can be estimated with far more accuracy than other sources.

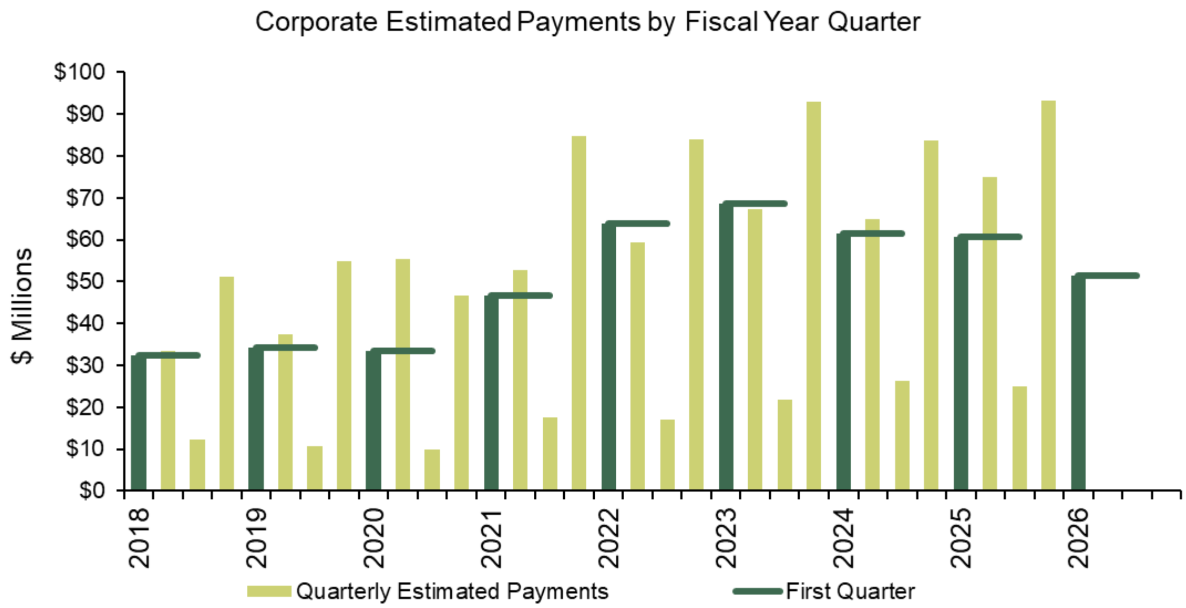
Corporate Income Tax: Below estimate and currently projected to end below HJ 2

Corporate income tax collections through the end of November are 13.5% or $12.4 million below this time in FY 2025. This is below the HJ 2 estimate which projected an increase of 1.6%. The table below shows the year-over-year corporate income tax growth by account. As the table shows, most of the decline is in the estimated payments.

Corporate Income Tax
($ Millions)

Account	YTD 2026	YTD 2025	$ Difference	% Difference
Corporation Tax	$18.8	$19.3	($0.4)	-2.3%
Estimated Payments	$57.3	$75.1	(17.8)	-23.7%
Refunds	0.0	(6.7)	6.7	-100.2%
Audit, P&I, Amended	3.4	4.2	(0.9)	-20.2%
Total	79.5	$91.8	($12.4)	-13.5%

The figure on the following page shows that estimated payments in the first quarter of FY 2026 are lower than the previous four years' first quarter payments. While estimated payments are the primary driver of total corporate income tax collections, it can be difficult to ascertain final collections this early in the year based on one quarter of estimated payments. For instance, both FY 2024 and FY 2025 final collections saw growth, even though the first quarter was lower than prior years. Nonetheless, the decline this year is more pronounced than prior years, meaning much stronger growth will be required in the upcoming quarters to reach HJ 2.



Vehicle Fees & Taxes: Below estimate due to timing, anticipated to end near HJ 2

Through November, vehicle taxes & fees have declined 12.4% or $7.2 million compared to FY 2025. This is below the estimated decrease of 6.5% that was adopted in HJ 2. This is likely a timing situation as there can be fluctuation on when vehicle registrations are posted to the statewide accounting system.

Oil & Natural Gas Production Tax: No Data Yet

While oil and natural gas production taxes have been collected since the start of the fiscal year, they have not yet been deposited into the general fund. This is expected due to the statutory requirement of when taxes are due, and the time allowed for the Department of Revenue (DOR) to determine the distribution of taxes to local governments. Prices have continued to decline slowly over the past few years, while production has been on the rise. This source can be very volatile and dependent on global oil prices. As of the last available data published in September, there are 2.0 oil rigs operating in the state, and oil prices are slightly below the average for the calendar year. The following link has more information on production and price history in Montana.

Insurance Tax: Anticipated to end above HJ 2

Current insurance tax collections through November are 6.1% or $1.3 million above FY 2025 collections through the same period. This is due to an increase in insurance premium tax collections that is consistent with annual increases at this time of year, which have been between 5.0%-12.0% for the last five years.

Video Gaming Tax: Below estimate due to timing but anticipated to end near HJ 2

Revenue from video gambling is currently $21.0 million or 50.1% below collections from this time last year. This is a timing issue and should resolve itself in the next few months.

OTHER SOURCES

Rental Car Sales Tax: Abnormal timing of payment but expected to end near HJ 2

Collections of rental car sales taxes are $1.9 million or 51.7% above collections through November of last fiscal year. This is due to an abnormal payment that was posted in November. Rental car sales taxes are due to the department quarterly after the month in which the transaction occurred. These payments are normally posted in July, October, January, and April, with the largest collections of the fiscal year typically happening in October. November of this year posted large collections due to a company who submitted a duplicate payment. This will likely be corrected by the next update. The LFD will continue to monitor and update this source. Without the duplicate payment, it seems likely collections will end near the HJ 2 estimate.

Coal Severance Tax: Anticipated to be near HJ 2

Coal severance tax collections through November are 25.8% or $1.3 million below last year's collections. In HJ 2 this source was expected to decline by 30.0%. The projected and realized decreases were due to forecasted prices that were anticipated to decline from the very high levels seen in FY 2023 and FY 2024. The first quarter of FY 2025 saw prices average $31/ton, whereas during the first quarter this fiscal year they averaged $22/ton. However, these prices are still comparatively high, when compared to years preceding FY 2023.

U.S. Mineral Leasing: Currently near estimate but a larger decrease is anticipated due to H.R. 1

Royalty payments from U.S. mineral leases are 39.4% or $2.4 million below collections through November of last fiscal year. This is above the 41.5% decrease estimated in HJ 2. The forecast contained in HJ 2 included assumptions of price and production decreases throughout the biennium for coal and oil. These estimated decreases are expected to be larger than originally anticipated as more monthly royalty and lease payments are posted under the new rate structure implemented in H.R. 1 at the federal level.

The effect of H.R. 1 on state and county revenues from U.S. mineral royalties will be negative this fiscal year. The 44% royalty rate reduction for all coal leases will have a substantial impact on revenues if there is not a similar increase in production. For oil and gas, the new royalty rate will only impact new leases. Since FY 2022, there has been an average of 1.35 oil rigs operating in Montana every month. It is unclear if this rate reduction will impact the coal, oil, and gas production in the future.

TCA Interest Earnings: Currently above estimate, difficult to predict FYE

Current TCA interest earnings through November are 23.6% or $14.3 million below FY 2025 collections through the same period. This is above the 36.7% decrease estimated in HJ 2. This source is impacted by interest rates and the Treasury Cash Account's current cash balance.

Lottery Profits: Above estimate due to FY 2025 transfer occurring in FY 2026, anticipated to end above estimate

Revenue from lottery profits is currently $11.4 million. Typically, at this time of the year, the lottery has yet to make a transfer to the general fund. Due to accounting anomalies in FY 2025, the general fund transfer was $12.3 million lower than expected last fiscal year. This amount represents the revenue that would have otherwise been transferred prior to fiscal year-end in FY 2025.

All Other Revenue: Below estimate, anticipated to end up near HJ 2

Revenue from all other miscellaneous sources is $2.6 million or 7.6% below collections from the same period last fiscal year. This source can be very volatile, and it seems the decrease is mostly driven by lower abandoned property transfers this fiscal year.

STATUTORILY REQUIRED REPORTS

BUDGET AMENDMENTS

As of December 1, 2025, the Legislative Fiscal Division received notification of 142 budget amendments impacting FY 2026 certified by the Governor since September 1, 2025.

These amendments increased state special revenue authority by $567,000 and federal special revenue authority by $40.2 million in FY 2026. An additional 33.94 PB in FY 2026, 19.42 PB in FY 2027, and 6.65 PB in FY 2028 in modified positions have been added. Modified PB are valid for the fiscal year but do not become permanent PB in agency base budgets. The figure below summarizes the budget amendments certified by the Governor from the period September 1, 2025, through December 1, 2025.

Budget Amendment Summary (Since last LFC meeting)			
Component	FY 2026	FY 2027	FY 2028
Number of Amendments	140	2	0
PB Added	33.94	19.42	6.65
General Fund	-	-	-
State Special Revenue	567,339	588,573	-
Federal Special Revenue	40,203,245	-	-
Proprietary Fund	221,000	-	-
Total Revenue	$40,991,584	$588,573	$0

Each amendment, along with a brief explanation, is summarized in the Budget Amendment Report. Staff have reviewed the amendments and did not identify any concerns.

The table below summarizes the budget amendments that were certified during the last LFC reporting periods as well as those in the previous biennium. The 142 amendments shown for December are only those that have been filed since the report in September. The various approving authorities have added $56.4 million in authority for the 2027 biennium, compared to $1,461.0 million in the prior biennium. Some of that prior authority was approved to continue into the 2027 biennium in HB 4.

Budget Amendment Cumulative Summary							
LFC Meeting	Number of Amendments	FY 2024	FY 2025	FY 2026	FY 2027	FY 2028	Total
September 14, 2023	91	$ 11,769,811	$ -	$ -	$ -	$ -	$ 11,769,811
December 14, 2023	125	143,255,563	484,715	-	-	-	143,740,278
March 14, 2024	82	31,232,011	-	-	-	-	31,232,011
June 21, 2024	51	20,686,572	-	-	-	-	20,686,572
September 19, 2024	123	120,466,606	36,294,257	-	-	-	156,760,863
June 10, 2025	114	-	899,099,180	-	-	-	899,099,180
September 18, 2025	148	-	197,686,217	14,778,210			212,464,427
December 18, 2025	142	-	-	40,991,584	588,573	-	41,580,157
Total	785	$ 327,410,563	$ 1,133,564,369	$ 55,769,794	$ 588,573	$ -	$ 1,517,333,299

The following table reflects the additional budget authority provided to each agency through the budget amendment process in FY 2026 compared to the modified HB 2 budget approved by the 2025 Legislature.

Budget Amendment Authority Comparison with HB 2 Total Funds By State Agency

State Agency	FY 2026 Modified HB 2	FY 2026 Budget Amendment	% of Modified Budget
Section A - General Government			
Department of Labor and Industry	$ 104,233,597	$ 1,051,148	1.0%
Department of Commerce	39,455,657	746,656	1.9%
Total Section A	143,689,254	1,797,804	1.3%
Section B - Public Health & Human Services			
Department of Public Health and Human Services	3,551,594,059	18,307,671	0.5%
Total Section B	3,551,594,059	18,307,671	0.5%
Section C - Natural Resources & Transportation			
Department of Fish, Wildlife, and Parks	155,830,251	3,875,099	2.5%
Department of Environmental Quality	73,367,129	12,862,131	17.5%
Department of Transportation	1,090,540,483	(76,952,073)	-7.1%
Department of Livestock	18,662,678	278,950	1.5%
Department of Natural Resources and Conservation	103,414,125	41,657,986	40.3%
Department of Agriculture	22,911,215	2,728,828	11.9%
Total Section C	1,464,725,881	(15,549,079)	-1.1%
Section D - Judicial, Law Enforcement, and Justice			
Department of Justice	169,019,926	615,494	0.4%
Total Section D	169,019,926	615,494	0.4%
Section E - Education			
Historical Society	11,494,529	221,000	1.9%
Commissioner of Higher Education	386,962,404	155,916	0.0%
Arts Council	1,718,090	383,851	22.3%
Office of Public Instruction	1,330,602,735	34,948,927	2.6%
State Library	8,417,052	110,000	1.3%
Total Section E	1,739,194,810	35,819,694	2.1%
Total	$ 7,068,223,930	$ 40,991,584	0.6%

A summary of the changes from OBPP can be found on the Budget Amendment Report.

DEBT AND LIABILITY FREE ACCOUNT

Overview of the Debt and Liability Free Account

The 2023 Legislature passed and approved HB 251, which established the debt and liability free account, and the 2025 Legislature expanded the uses of this account, adding subsections (e) through (g) shown below, and modified the transfers into this account in HB 924. This account can be used to:

a) pay the principal, interest, premiums, and any costs or fees associated with defeasing outstanding bonds, notes, or other obligations that have been authorized and issued pursuant to the laws of Montana and that are currently subject to optional redemption;
b) pay the principal, interest, premiums, and any costs or fees associated with defeasing outstanding bonds, notes, or other obligations that have been authorized and issued pursuant to the laws of Montana that are not currently subject to optional redemption;
c) forego or reduce the amount of an issuance of general obligation bonds paid from the general fund authorized by the legislature but not yet issued by the board of examiners prior to using funds from the account established in 17-7-209 for the same purpose;
d) pay in whole or in part legally resolved nonpension financial liabilities of the state of Montana.
e) to replace federal funding that has been rescinded by the federal government from remaining funding of the American Rescue Plan Act funds;
f) to mitigate the need for general fund supplemental appropriations for the general appropriations act; and
g) to replace federal funds that have been reduced or rescinded by the federal government.

Estimated Fund Balance of the Debt and Liability Free Account

The table below shows the actual revenues, completed expenditures, reserves, and ending fund balance for FY 2023 through FY 2025 and the estimate for FY 2026 and FY 2027. Overall, there are no anticipated revenues in FY 2026 and FY 2027, which leads to a declining fund balance. In FY 2027, the estimated ending fund balance is $50.9 million, when considering the amounts reserved for liabilities of the state. The revenues, expenditures, and reserves are explained in more detail below.

Governor's Office Debt and Liability Free Account (02300)					
	Actual FY 2023	Actual FY 2024	Actual FY 2025	Estimated FY 2026	Estimated FY 2027
Beginning Fund Balance	$ -	$ 112.9	$ 257.3	$ 266.0	$ 126.0
Revenue					
Investment Earnings	118.4	164.7	159.1	-	-
General Fund Transfers	125.0	-	-	-	-
Total Revenues	243.4	164.7	159.1	-	-
Completed Expenditures					
Capitol Complex Space - Walt Sullivan	-	(0.0)	(2.7)	-	-
Coal Trust Corpus	(7.5)	(11.7)	-	-	-
CSKT Water Compact	-	(0.3)	(0.6)	-	-
General Fund General Obligation Debt	(103.0)	(1.9)	(8.1)	-	-
HB 924 (Section 41) Transfers	-	-	(115.0)	-	-
Other	(0.0)	(0.0)	(0.0)	(0.1)	-
Water and Wastewater Revolving Funds	(20.0)	-	-	-	-
Water Storage and Irrigation Projects	-	-	(20.0)	-	-
Workers' Compensation Insurance Liability (Old Fund)	-	(6.4)	(4.1)	(1.4)	-
Total Completed Expenditures	(130.5)	(20.3)	(150.5)	(1.5)	-
Reserved					
Compensated Absense Footnote	-	-	-	(121.9)	-
CSKT Water Compact	-	-	-	(13.0)	(41.1)
Workers' Compensation Insurance Liability (Old Fund)	-	-	-	(3.6)	(34.0)
Total Reserved	-	-	-	(138.5)	(75.1)
Ending Fund Balance	$ 112.9	$ 257.3	$ 266.0	$ 126.0	$ 50.9

Revenues

The DLFA received a general fund transfer of $125.0 million in FY 2023 and, in accordance with HB 251 (2023), treasury cash account interest was redirected from the general fund to the DLFA in FY 2023, FY 2024, and FY 2025. The redirection of treasury cash account interest was discontinued at the end of FY 2025. Starting in FY 2026, statute enacted through HB 924 (2025 Legislative Session) allows for a portion of volatile revenue to be transferred into the DLFA account each year; however, transfers may not exceed $12.5 million and can only be made if the unobligated ending fund balance of the DLFA account is less than $12.5 million. Because the unobligated fund balance is above the $12.5 million threshold, it is not anticipated that there will be transfers into this account in the 2027 biennium.

Completed Expenditures and Reserves

Capitol Complex Space – Walt Sullivan - $2.3 Million Expended

The Walt Sullivan building, on the Capitol Complex, was initially built with state and federal resources. The federal share of the building was purchased to have full administrative control over this building and the ability to use it for the highest and best use on the Capitol Complex. The $2.3 million expenditure eliminated the federal restrictions associated with this building.

Coal Trust Corpus – $19.2 Million Expended

Most of the benefit to the coal trust is due to the repayment of general obligation revenue bonds backed by the coal trust as approved in HB 8. When the borrowers of HB 8 loans pay back their obligation, the beneficiary will be the coal trust corpus.

Of the $19.2 million, $7.4 million paid off the liability of the former Montana Board of Science and Technology Alliance within the coal trust. There was no reliable source of funding to repay the loan from the coal trust and this action effectively clears the books of a bad loan from the coal trust to the defunct Montana Board of Science and Technology Alliance.

CSKT Water Compact – $900,000 Expended and $54.1 Million Reserved

The Confederated Salish and Kootenai Tribes – Montana Compact (CSKT water compact) is a water rights agreement between the State of Montana, the Confederated Salish and Kootenai Tribes (CSKT), and the United States. The CSKT water compact resolves CSKT's reserved water right claims and creates a joint state-tribal system for administering water rights on the Flathead Indian Reservation. The financial obligation of the state of $55.0 million is allocated as follows:

- $4.0 million for water measurement activities
- $4.0 million for improving on-farm efficiency
- $4.0 million for mitigating the loss of stock water deliveries from the Flathead Indian Irrigation Project (FIIP)
- $30.0 million to offset pumping costs associated with compact implementation & related projects
- $13.0 million to provide for aquatic and terrestrial habitat enhancement

The CSKT water compact was signed without a specific funding source and is interpreted by the executive as a general fund obligation since it does not have designated funding source.

General Fund General Obligation Bonds – $113.0 Million Expended

The executive retired the debt of all general fund general obligation bonds.

HB 924 (Section 41) Transfers – $115.0 Million Expended

As required by HB 924 (2025 Legislative Session), in section 41, the state treasurer transferred $26.0 million to the Montana housing trust and $89.0 million to the permanent coal trust from the debt and liability free account.

Other – $90,000 Expended

The other expenses covered by the DLFA were legal and financial services that enabled the other transactions as well as $55,000 for a judgement against the state for Disabilities Rights Montana v. Montana Superintendent of Public Instruction and the Governor.

Water and Wastewater Revolving Loan Funds – $20.0 Million Expended

The state has loan programs for local government entities for water and wastewater infrastructure projects. The executive used the funds in the DLFA instead of issuing debt for these projects. When the local governments repay these loans, they will be deposited into the water or wastewater revolving loan funds and can be appropriated for loans for projects in the future.

Water Storage and Irrigation Projects – East Fork of Rock Creek Dam - $20.0 Million Expended

The DLFA was used to repay the debt for the refurbishment of the East Fork of Rock Creek dam (Granite County) that was approved for general obligation revenue bonding in HB 8. The water users of this dam will make payments on $2.5 million into the water and storage irrigation fund for this refurbishment.

Workers' Compensation Insurance Liability (Old Fund) – $11.9 Million Expended and $37.6 Million Reserved

The 1990 Legislature passed legislation that reformed workers' compensation and created a separate fund (the Old Fund) for claims resulting from workplace injuries and accidents occurring before July 1, 1990. General fund is used to pay Montana State Fund for the administration of the Old Fund and claims that occurred before July 1, 1990. The Office of Budget and Program Planning has reserved $37.6 million from the DLFA for this liability in addition to the $11.9 million paid through December 1, 2025.

Compensated Absence Footnote in the State Annual Financial Report – $121.9 Million Reserved

The State of Montana includes a compensated absence liability on its balance sheet, which is included in the Annual Comprehensive Financial Report (ACFR) as required in government accounting standards. This liability for the state includes 100.0% of vacation and 25.0% of sick leave accrued for all current employees that would be required to paid out at the time of termination or retirement. The executive reserved $121.9 million of the DLFA to offset this liability.

Potentially Eligible Expenses

OBPP Estimate for Other Eligible Expenses – $13.0 Million

The Office of Budget and Program Planning estimates $7.5 million in FY 2026 and $5.5 million in FY 2027 of other expenses that would be eligible for payment or reimbursement from the DLFA, which is not reflected in the table above.

ARPA Interest Earned

HB 4 (2025 Legislative Session) requires American Rescue Plan Act (ARPA) interest earnings to be deposited into the Long-Range Building Program's capital development account on a quarterly basis until December 30, 2026. This is the date in which the ARPA funds must be expended or returned to the federal government. In the first quarter of FY 2026, the Office of Budget and Program Planning transferred approximately $3.3 million into the capital development account.

FEDERAL ACTION UPDATE

The federal government shutdown that began October 1st ended on November 12th with a continuing resolution (CR) that funds the government through January 30, 2026. In addition to the extension of funding for most programs, three full year federal FY 2026 appropriations bills passed, including Agriculture, which includes the Supplemental Nutrition Assistance Program, Legislative Branch, and Veteran Affairs/Military Construction. The CR also prevents PAYGO sequestration from taking effected during federal FY 2026 and includes provisions to reimburse states for costs incurred during the shutdown. Previous LFD analysis of federal action may found in this report presented to the Legislative Finance Committee in October 2025.