



Legislative Action on the State Budget

July 2025

Our state budget represents our collective investment in the public institutions and services that educate our children, keep our communities safe, and provide health care and other services to our neighbors. The 2025 Legislature enacted the 2027 biennium state budget, housed within House Bill (HB) 2, providing funding for state agencies to provide services across the state. This report provides an overview of the key actions during the session. Appendix A provides some of the highlights of the enacted HB 2 state budget.

Medicaid Expansion: A Continued Commitment to Affordable Health Care Access

The Montana Legislature passed legislation to continue Montana's current Medicaid program, protecting health insurance coverage for nearly 77,000 Montanans.¹ Montana reauthorized Medicaid expansion in 2019, but included a sunset to end the program on June 30, 2025. The 2025 Legislature repealed the termination clause, permanently extending Medicaid expansion.² Medicaid plays a critical role in providing affordable health care coverage for Montana workers in low-paid sectors. In 2023, over 20,000 businesses in Montana employed at least one worker on expanded Medicaid, including 72 percent of accommodation and food services employers and 52 percent of retail trade businesses.³ Since Montana expanded Medicaid, Montana's uninsured rate dropped from 19.3 percent in 2014 to 12 percent in 2023⁴. Montana's Medicaid program has been vital to Montana's health care system, especially in rural communities. Health providers across the state report adding or expanding services, including behavioral health and specialty services.⁵

Montana Enacts Growth and Opportunity Trust for Long-Term Infrastructure Investments

The Legislature passed HB 924, which establishes the Growth and Opportunity (GO) Trust, which will transfer roughly \$930 million over the next four years into a state special revenue account, with interest to be used for several longer-term investments, including affordable housing, water and bridge infrastructure, public pensions, and early childhood initiatives.⁶ The legislation transfers a certain amount of funds from the General Fund into the trust, including one-time "start-up" transfers into individual subaccounts. In future years, a percentage of revenue from capital gains income, partnership income, and interest earnings will be deposited into the principal of the trust.⁷ The individual subaccounts will receive a percentage of the interest. For example, the Early Childhood Account will receive a one-time transfer of \$10 million in FY2025 and will then receive 10 percent of the interest on the larger trust account, estimated at \$2.3 million in FY2026 and \$2.8 million in FY2027.⁸

Funding within the housing subaccount (called the Montana Housing Trust) can be used for three existing programs to provide loans and support for affordable housing projects. The Montana Housing Trust will receive a total transfer \$31.2 million in new funds over the current biennium, and the fund will retain its own interest (estimated to be \$3.4 million in FY2026 and \$3.7 million in FY2027).⁹ HB 924 also transferred \$115 million of existing loans under the Multifamily Coal Trust Loan program and the Veterans Home Mortgage program. While these funds are already allocated, the funds will replenish the Housing Trust as the loans are repaid. The allocation of funds into the Montana Housing Trust represents the first meaningful state investment into the Housing Montana Fund, created in 1999 but without sustained funding.¹⁰

Income Tax Cuts Wipe Out Hundreds of Millions in Revenue to the State

For the third legislative session in a row, the Montana Legislature cut the top income tax rate, a tax cut that will disproportionately benefit the wealthiest households while eliminating significant revenue to the state for future investments. HB 337 reduces the top income tax rate from 5.9 to 5.4 percent by 2027, costing the state over \$750 million in lost revenue over the next four years.¹¹ Two-thirds of the tax cuts provided in HB 337 will go to the wealthiest 20 percent of households.¹² For more information the tax bills that passed in the 2025 session, see Montana Budget & Policy Center, "[Tax Policy Highs and Lows from the 2025 Montana Legislature](#)."

Failure to Invest in Child Care and Afterschool Programs Sets Montana Back

While the 2025 Legislature considered several policy proposals to support Montana's child care system, these policy proposals were not enacted. HB 457 would have expanded parent eligibility for the Best Beginnings child care subsidy program to 85 percent of the state median income (about \$68,000 for a family of three), helping more working families afford the high cost of child care.¹³ This bill passed House Human Services Committee with strong bipartisan support, but failed on the House floor by a vote of 44-55. A second proposal, HB 456, would have ensured that child care workers could access the Best Beginnings scholarship to help offset the cost of child care for their own children.¹⁴ Today, child care workers have some of the lowest wages in the state, despite providing critical caregiving services that help support Montana's entire workforce. HB 456 built upon a successful pilot implemented by the Department of Public Health and Human Services (DPHHS) using federal funding. HB 456 passed the House (60-40) and the Senate (27-23), but Governor Gianforte vetoed the legislation.¹⁵ The failure of this legislation which provided ongoing funding to support eligibility for child care workers may result in the elimination of the current pilot program.

The Montana Legislature also considered new investments for afterschool programs, but Governor Gianforte vetoed the lion's share of that investment. Families with school-aged children often struggle to find available and affordable afterschool options. In fact, for every child in an afterschool program in Montana, there are another four children waiting to get in. This session, the Montana Legislature approved \$2 million investment in afterschool programs, using surplus federal funding.¹⁶ This investment would have provided a much-needed boost for afterschool programs to hire workers and expand program slots, but the governor line-item vetoed the funding out of the budget.¹⁷ The Legislature did provide a modest investment of \$300,000 to expand current prevention-based afterschool programming funded through the Montana Board of Crime Control.¹⁸

Appendix A - Summary of Enacted 2027 Biennium Budget by Agency

Section A- General Government

Legislative Branch	The Legislative branch increased by 15%, or about \$6.3 million, over the 2025 base budget. This includes technology, personal services, increases in lodging and mileage for legislators and the School Funding Interim Commission that is required by law every ten years.
Governor's Office	The Governor's Office budget is 3.1% higher than the 2025 base budget, primarily present law adjustments for personnel. HB 2 did not include the executive's proposed \$46 million contingency fund for state employee recruitment and retention; however, this was funded in HB 863 (at \$25.6 million in all fund types).

Department of Revenue	The Department of Revenue Budget is 1.4%, or \$9.9 million, above the 2025 base budget, which includes additional staff for the Cannabis Control Division. DOR will also receive additional personnel to implement HB 231 property tax changes.
Department of Administration	The Department of Administration budget increased by 33%, or \$36.4 million over the 2025 base budget. The Legislature transferred \$33 million general fund dollars into the long-range building program, which DOA administers.
Department of Commerce	The Department of Commerce budget increased by 7.3%, or \$5.3 million, over the 2025 base budget. Commerce is funded primarily through federal funds and the budget includes increased federal authority for Housing Trust Fund and HOMES program to support housing development. The budget also includes \$29,000 to repay employee(s) that were <u>previously required to reimburse the state</u> for travel expenses.
Department of Labor and Industry	The Department of Labor and Industry budget increased by 7.1%, or \$13.5 million, over the 2025 base budget, including \$630,000 for job service kiosks in communities across the state and \$4.3 million for adult basic education grants. Some of the significant investments include \$1.4 million for Workforce Services Division, \$1.2 million for software maintenance related to the Montana Unemployment System Environment, \$630,000 for Job Service Kiosks in communities across the state, \$4.3 million dollars for adult basic education grants, and \$411,000 for the career and technical education portion of <u>House Bill 252</u> .
Department of Military Affairs	The Department of Military Affairs budget increased by 6.7%, or \$7.9 million, over the 2025 base budget. Investments include \$3.8 million for 14 additional positions in the Veterans Affairs' Division, \$428,000 for 3 positions to further support the Youth ChalleNGe Program, and \$1.4 million in overtime pay for Air National Guard firefighters.
Section B – Public Health and Human Services	
Overall Agency	The budget for Section B (DPHHS) is 1% lower than the 2025 base budget. The Legislature continued Medicaid expansion, funded within HB 2. The budget also reflects caseload adjustments for Medicaid and non-Medicaid services and an adjustment to the Federal Medicaid Assistance Percentage (FMAP). Across the entire agency, there is a reduction of 81.3 FTE over the biennium.
Provider Rate Increase	The Legislature provided a 3% provider rate increase across the board for Medicaid and Non-Medicaid providers was added in Section B Joint Subcommittee. These rate increases help keep up with inflationary cost increases and will help prevent rates falling far behind the costs of providing services for providers across the state, as recommended by the Guidehouse Study in 2022.
Summer Food Assistance for Children (Summer-EBT)	The Legislature approved the governor's request to fund the federal Sun Bucks, or Summer EBT Program. This program provides \$120 per child to qualifying families in the summer months. This \$830,000 state investment leverages about \$19.5 million in federal benefits to Montana families.
Behavioral Health & Developmental Disability Division	The on-going biennial budget increased by 5.9% compared to the 2025 base budget, including state special revenue funding for recommendations by Behavioral Health Systems for Future Generations Commission. However, the Legislature designated many of these investments as one-time-only (roughly \$56 million OTO over the biennium). The Behavioral Health Systems for Future Generations (BHSFG) had 11 out of the 22 recommendations developed by the Commission partially funded, including \$8.4 million SSR for certified community behavioral health clinics (CCBHCs) (OTO), \$1.4 million SSR for targeted case management, and \$3.4 million for school behavioral health initiatives. The Legislature invested \$2.5 million one-time-only for community crisis beds and \$3.2 million one-time-only for increased rates for in-state youth residential treatment.
Child & Family Services Division	Biennial budget increase of 9.3% compared to the 2025 base budget, largely due to \$14 million caseload adjustments for foster care, adoption,

	and guardianship cases. CFSD gained a position for Post-Adoption Program, which helps provide support to families who are adoptive parents or guardians and help support the success of these relationships preventing children from returning into foster care.
Disability Employment & Transitions Division	Biennial budget increase of 2.1% compared to the 2025 base budget. DETD gained two positions to provide Vocational Rehabilitation services, one position to provide technology assistance for those newly experiencing low vision or blindness and seeking employment, and two positions to bolster the Montana Telecommunications Access Program (MTAP). House Appropriations amended HB 2 to add funding to provide a 14% provider rate increase for DETD providers. This provider type was excluded from the 2023 provider rate increases.
Senior & Long-Term Care Division	Biennial budget is 4.9% below the 2025 base budget, in part, due to negative caseload adjustments. SLTC gained three positions for Adult Protective Services Guardianship program, and \$4 million over the biennium to support services provided by the Area Agencies on Aging.
Facilities Division	Biennial budget is 51% above the 2025 base budget, primarily due to \$123 million in one-time-only appropriations, including \$79.9 million for contract support for facility operations. The budget eliminates 97.3 FTE related to vacant positions. The Legislature provided \$24.7 million to increase bed capacity at psychiatric residential treatment facilities, community crisis center, and the Montana State Hospital, and \$10.2 million was appropriated to continue operation of Montana State Hospital Grasslands facility. Governor Gianforte line-item vetoed additional \$3 million to support student loan repayment program to help recruit and retain staff at the state facilities (within BHDD).
Section D – Judicial Branch, Law Enforcement, and Justice	
Judicial Branch	The Legislature adopted an increase for the Judicial Branch of \$8.0 million or 6.3% higher compared to the 2025 base budget, including \$1.7 million in general fund support to continue drug courts and \$1.7 million to add two new judges and staff in the 13th District. The 13th Judicial District (Yellowstone County) is currently served by eight District Court Judges who handle almost 11,000 cases yearly. This represents 20% of the total Montana District Court caseload. The Legislature did not adopt the proposal to continue and make permanent the pretrial program.
Department of Justice	Department of Justice budget is \$24.2 million or 8.0% higher than 2025 base budget. Increases include \$5.4 million state special revenue to implement 9% pay increases for highway patrol troopers, \$4 million in state special revenue (SSR) to continue additional victim services provided as one-time-only by the 2023 Legislature, \$2.0 million in restricted general fund support for the litigation of Montana legislation, and \$40,000 for additional SSR to fund operations for Missing Indigenous Persons Task Force.
Office of State Public Defender	Office of Public Defender (OPD) budget is \$23.5 million or 24.3% higher than 2025 base budget. This includes \$6.7 million general fund for a total 31 FTE to begin to close the gap of staff shortfalls for adequately providing public defense counsel for indigent Montanans. Most of these FTE are modified positions provided from the past biennium. The budget added \$6.6 million to support contract attorney rates to help recruit contract attorney services, critical in rural areas. The HB 2 budget for the OPD is about \$10.0 million lower than the budget requested by the executive, partly due to cutting requested attorney positions in half.
Department of Corrections	DOC received the largest increase in Section D, with a \$68 million boost to address capacity and infrastructure needs, including \$23.9 million general fund for 360 out-of-state contracted secure beds, \$1.2 million for staff recruitment and retention efforts, and \$6 million to increase the rate for county jail holds. The Legislature significantly cut the executive's proposal for \$2.7 million to support caseworker support for young adults released from the juvenile justice system (cut to just \$140,000). While the Legislature

	provided a 2% provider rate increase for community prerelease centers, the governor line-item vetoed this funding.
Section E – Education	
K-12 Education/Office of Public Instruction	Overall OPI's budget was funded 10%, or \$245 million, above the 2025 base budget. This includes \$51 million in K-12 funding inflationary increase, \$21 million SSR in major facilities maintenance aid, \$100 million to support teacher salaries tied to the STARS Act (HB 252), \$1.5 million to continue Indigenous language preservation programs, \$3.8 million in additional funding for the MT Digital Academy, and \$5 million for updated math curriculum standards. The Legislature approved funding to expand the school lunch program, but the governor vetoed the legislation and line-item vetoed the funding. The governor also line-item vetoed funding for STEM robotics programming. A proposal to fund English Language Learner (ELL) programs was ultimately rejected.
Higher Education/Office of the Commissioner of Higher Education	Biennial budget was funded 8.4%, or \$54.8 million, above the 2025 base budget, including \$32 million for present law adjustments for funding to the Montana University System. The Legislature invested \$3.5 million in one-time-only funds to continue the Montana 10 initiative, providing targeted evidence-based support for a cohort of Montana students aimed at improving retention and completion rates at four-year and two-year institutions. The Legislature also extended the 1-2 Free dual enrollment program, providing \$2.2 million and expanding the program to community and Tribal colleges. The budget included a modest increase to the Tribal College Assistance Program, providing \$550,000 to support a \$903 per-student increase to TCUs. The governor line-item vetoed \$320,000 in funding added for the Montana Ag Experimental Stations.

¹ Department of Public Health & Human Services, "[Montana Medicaid Enrollment Dashboard](#)," April 2025.

² Montana 69th Legislature, "[Revise the Montana HELP Act workforce development provisions and termination date](#)," HB 245, enacted on Mar. 27, 2025.

³ Holom, N., and Bradley, C., "Medicaid Expansion & Montana Employers," Department of Labor & Industry, January 2025, on file with author.

⁴ Montana Healthcare Foundation, "[2025 Medicaid in Montana](#)," January 2025.

⁵ Montana Healthcare Foundation, "[2025 Medicaid in Montana](#)," January 2025.

⁶ Montana 69th Legislature, "Generally revise finance laws," HB 924, enacted June 19, 2025. HB 924 was amended in the Senate, but the fiscal note was not updated. To find estimated cost over the four year period, see: Legislative Fiscal Division, "[General Fund Outlook](#)," June 3, 2025.

⁷ Legislative Fiscal Division, "[Summary of HB 924 \(2025 Session\): Montana Growth and Opportunity Trust](#)," June 10, 2025.

⁸ Legislative Fiscal Division, "HB 924: Money Inflow from the General Fund," June 19, 2025, on file with author.

⁹ Legislative Fiscal Division, "HB 924: Money Inflow from the General Fund," June 19, 2025, on file with author.

¹⁰ Henneman, T., "[Housing Montana Fund](#)," Legislative Fiscal Division Report to Local Government Interim Committee, Aug. 25, 2020.

¹¹ Montana 69th Legislature, "[Revise income tax laws to lower income taxes](#)," HB 337, enacted Apr. 28, 2025.

¹² Institute on Taxation and Economic Policy, "Modeling of HB 337 as amended," MBPC information request, received on Feb. 20, 2025, on file with author.

¹³ Rep. Karlen, J., "[Revise best beginnings eligibility](#)," HB 457, Montana 69th Legislature, as passed by the House Committee on Human Services on Feb. 21, 2025. Administration for Children and Families, "[State Median Income \(SMI\) by Household Size for FY2024](#)," retrieved on June 14, 2025.

¹⁴ Rep. Karlen, J., "[Provide best beginnings scholarship to child care workers](#)," HB 456, Montana 69th Legislature, as passed by the Montana Senate on Apr. 25, 2025.

¹⁵ Gov. Gianforte, G., [Veto letter for HB 456](#), June 20, 2025.

¹⁶ Legislative Fiscal Division, "[HB 2 Narrative: Section B \(Version #4: Senate Floor\)](#)," retrieved June 14, 2025

¹⁷ Gov. Gianforte, G., [Veto letter for HB 2](#), June 20, 2025.

¹⁸ Legislative Fiscal Division, "[HB 2 Narrative: Section D \(Version #4: Senate Floor\)](#)," retrieved June 14, 2025.