2029 Biennium Outlook

BY LEGISLATIVE FISCAL DIVISION STAFF

JUNE 24, 2026

INTRODUCTION

Each June prior to Legislative Session the Fiscal Division reports the current Outlook for the state budget. The Outlook provides historical context and a forward-looking view of revenues and expenditures to help prepare legislators for the upcoming session. This year we have a broader, deeper, and more technical analysis available for the legislature. LFD appreciates feedback from legislators on how the Outlook is helpful to your work, and what else you might like to see in future iterations.

The remainder of this report consists of the following sections:

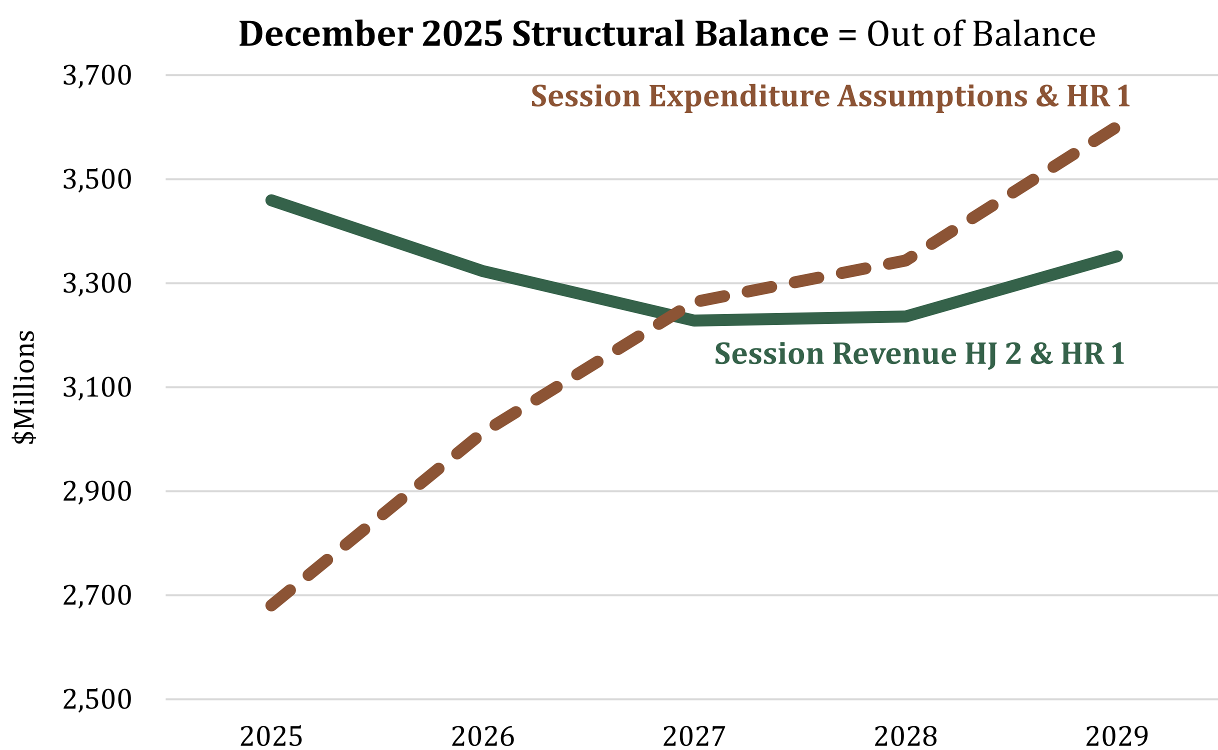
- **Executive Summary** – This section provides key takeaways on revenue and expenditure trends as legislators prepare for the 2027 Session
- **Demographics, Income, and Economics** – This is a new feature in this iteration of the Outlook which provides an additional layer of knowledge on state trends that impact the finances of the state, and the resulting decision points for legislators as they prepare for the 2027 Session
- **Outlook Revenues** – This section provides a history of general fund revenues, as well as forecasted revenues out to FY 2031, with a discussion of factors that may swing revenues to be higher or lower than anticipated
- **Outlook Expenditures** - This section provides a history of expenditures, as well as forecasted expenditures out to FY 2029, with a discussion of major impacts to the budget over this period. Further detail for each section of the budget is provided in separate discussion documents
- **FY 2031 Analysis** – This section focuses on the biennium-after-next and includes analysis of risks faced by the state over this period, with "risks" capable of having either upside or downside impacts. This section also includes an analysis of the hypothetical impact of lower federal funds to Montana in the event that the federal government cuts back on transfers to states

The 2029 Biennium Outlook is also supplemented by a series of appendices and separate detailed discussions for sections of the budget. These appendices and supplements cover a variety of components of state finance in more detail.

Executive Summary

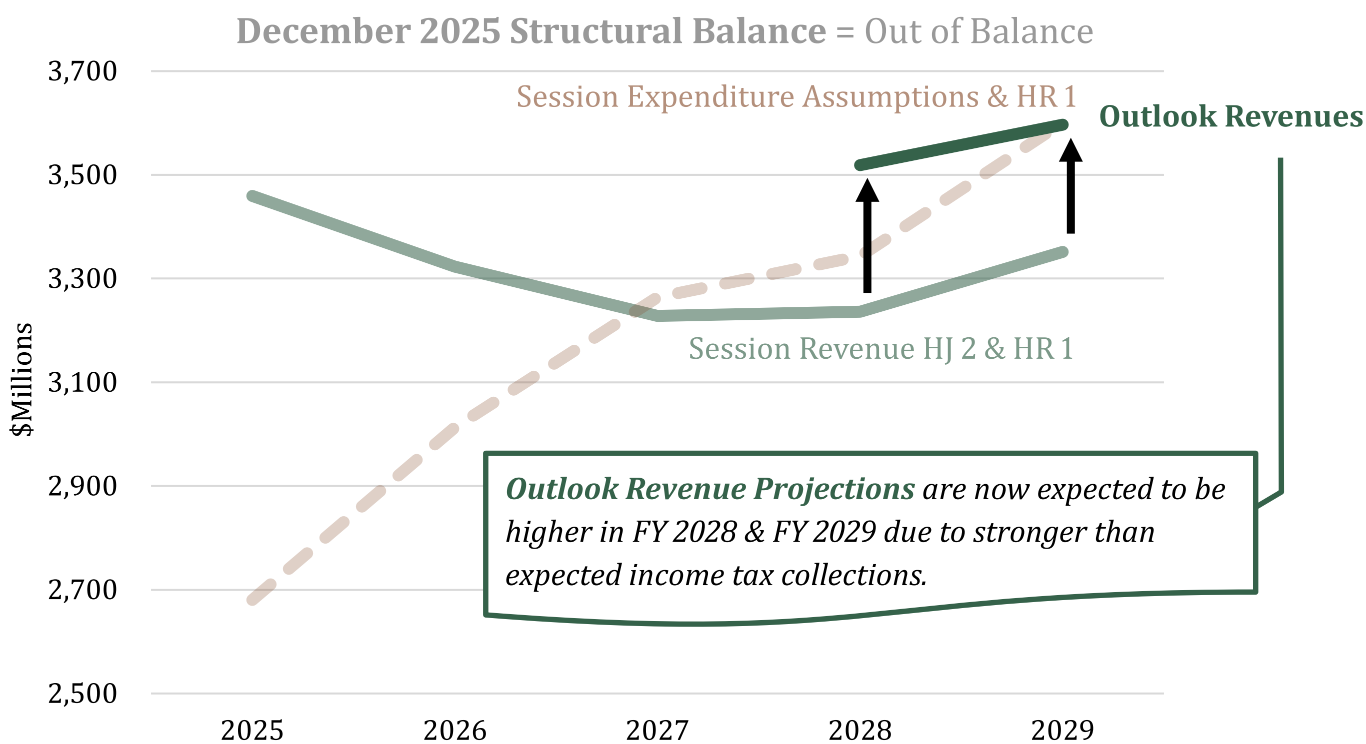
End of the 2025 Legislative Session

At the end of last session, the ongoing general fund revenues were anticipated to be less than the ongoing general fund expenditures for the 2029 biennium, known as a structural imbalance. After the legislative session, Congress and the President passed H.R. 1 which had about $115 million negative impact on the state general fund and made the structural imbalance worse. In December 2025, the Legislative Fiscal Division reported that if the changes in H.R. 1 were added to the revenue and expenditure forecast for last session that the structural imbalance in FY 2029 would be $250 million or 7% of annual general fund revenues.



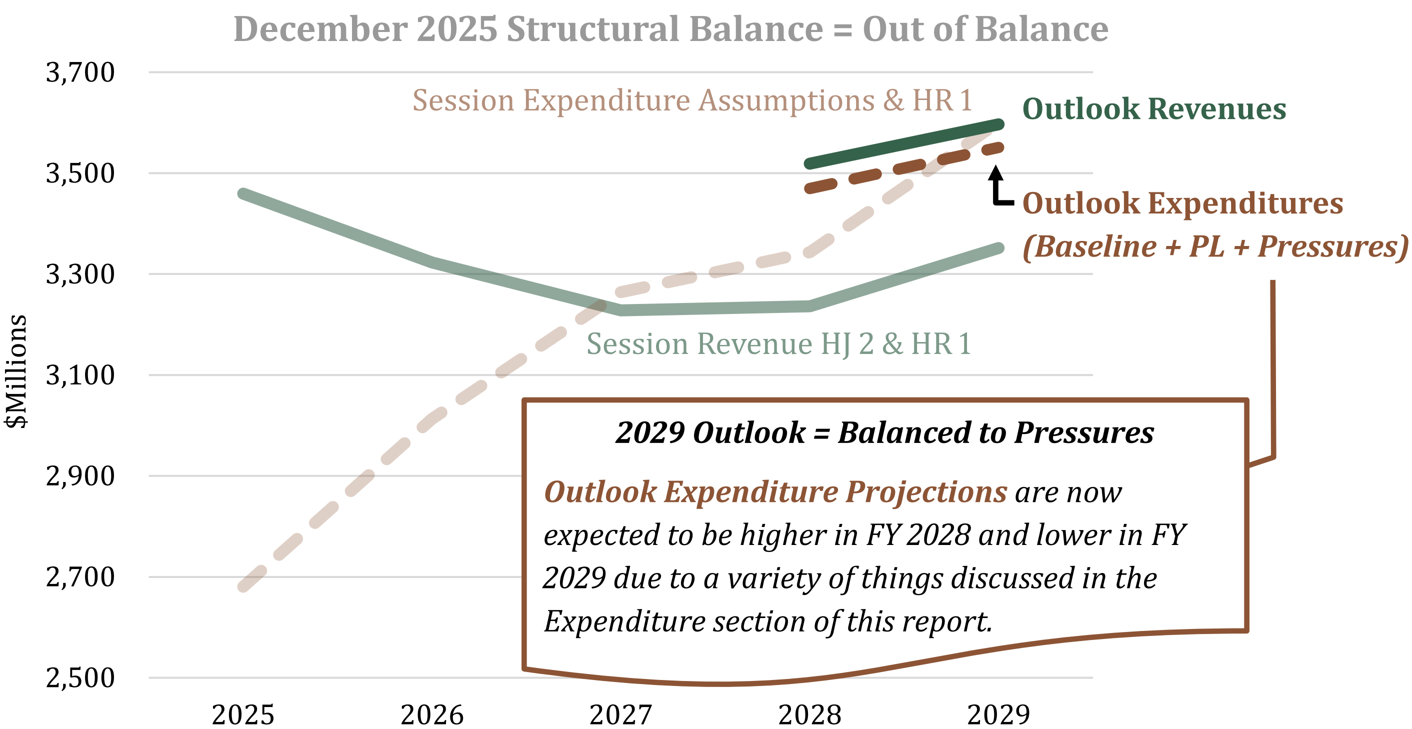
Revenue Higher than HJ 2 Estimates

In April of this year and last year, income tax collections were higher than the revenue estimate adopted by the 2025 Legislature in HJ 2. Given two years of data, it is apparent that the base level of income tax collections is higher than what was adopted last session. These higher estimates are largely the result of income tax collections and are described in more detail in this report. The chart below shows the difference between the estimated revenues adopted by the legislature in HJ 2 and the estimated revenue included in the Outlook.



2029 Outlook Balanced to Pressures Level

For the Outlook period, ongoing revenues exceed the combined baseline, present law, and pressures spending levels, resulting in a structurally balanced position in both FY 2028 and FY 2029. The accompanying chart illustrates that revenues remain above these expenditure levels throughout the 2029 biennium and shows a comparison to what was projected following the 2025 Legislative Session.



Additional Known Pressures

Further analysis in this report identifies additional known pressures beyond present law and pressures identified that are typically funded by the legislature. These additional known pressures either reduce revenues or increase expenditures and are later discussed in this analysis. The main examples of these pressures include the Governor's expressed interest in a flat income tax, schools' interest in increased state funding, higher inflationary pressures, and other known areas of spending pressure.

These additional known pressures are far greater than the slight remaining structural balance and cause the structural balance to be negative. The legislature will need to make choices to manage the budget.

Risks

As with every biennium, there are both upside and downside risks that could affect the state's financial position. Expected risks in the 2029 biennium include volatility in revenue tied to economic conditions and potential costs in key programs, particularly where caseloads or inflation may exceed baseline assumptions.

Long-Term Risks and Pressures

In addition to the risks identified for the 2029 biennium, FY 2031 faces several out-year risks and pressures, particularly revenue risk. Federal revenue-related risks include the potential extension of H.R. 1 provisions, which would reduce Montana's individual income tax collections by roughly $83 million per year, and the possibility of Social Security benefit reductions if the Social Security trust fund is depleted, which could lower state income tax revenues by an estimated $45 million annually.

A final hypothetical risk is the potential for a federal balanced-budget. The federal budget is about 34% out of balance, or in deficit, meaning that the federal government spends approximately 34% more than it receives in revenue. With roughly 44% of Montana's FY2025 budget supported by federal funds, should federal action eliminate these annual deficits there could be significant backfill pressure if state funding were cut. This is discussed in the FY 2031 hypothetical federal balanced budget section.

The Report

The report begins with a background in demographics and economics. The state of Montana has changed significantly over the decades, especially during the past decade. These changes and observations give legislators a sense of economics and demographics impacting the choices before the legislature.

BACKSTORY: DEMOGRAPHICS, INCOME, AND ECONOMICS

HISTORY & OBSERVATIONS

This section covers some major demographic trends in Montana, including projections into future years. Understanding of broad demographic changes is critical to a comprehensive appreciation of state fiscal risk and potential risk in future years. Data from this section was created for the Montana Modernization and Risk Analysis (MARA) Committee and presented at the MARA meeting in February 2026. Staff have updated the report presented at that meeting with the latest data from the US Census Bureau.

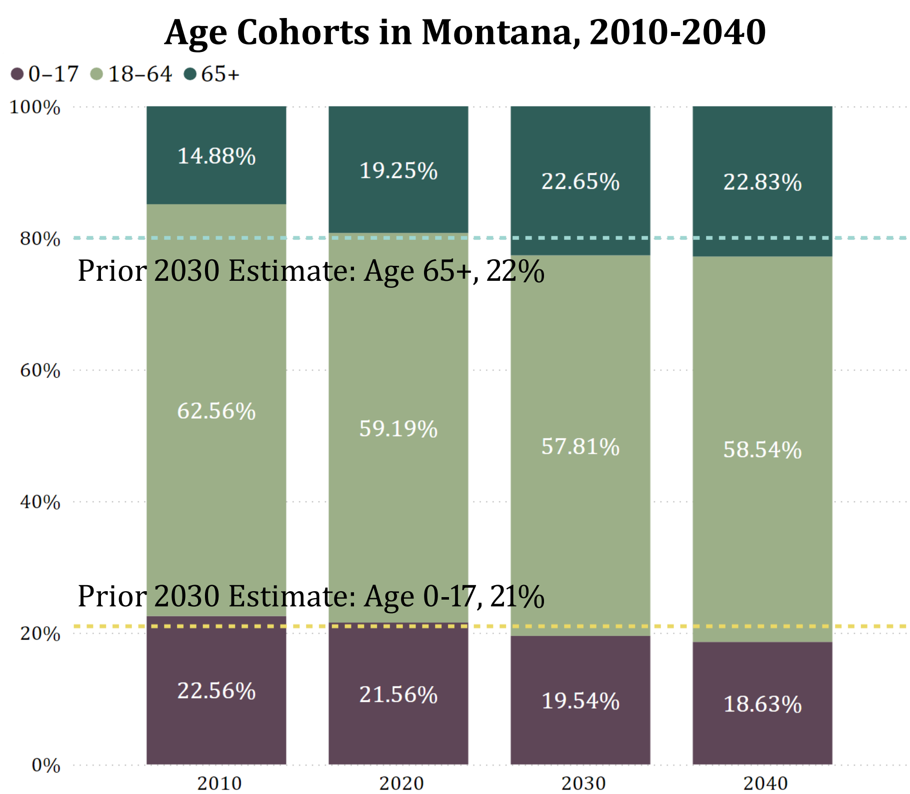
DEMOGRAPHIC ANALYSIS

Observation 1

Montana is Aging, with a Projected Decline in Youth

What are Montana's current and projected demographic characteristics? Consider first the adjacent graph. Using data from eREMI, this chart shows projected change in major age cohorts in Montana as a percentage of the state population (2010-2040).

The proportion of children is projected to shrink slightly over the next 15 years while the working-age population proportion is projected to remain relatively flat. In the 2021 version of the demographics report the proportion of children was projected to remain flat while the working-age population was projected to shrink. Birth rates have continued to drop in the post-COVID era, a trend which is discussed in more detail in the full report.



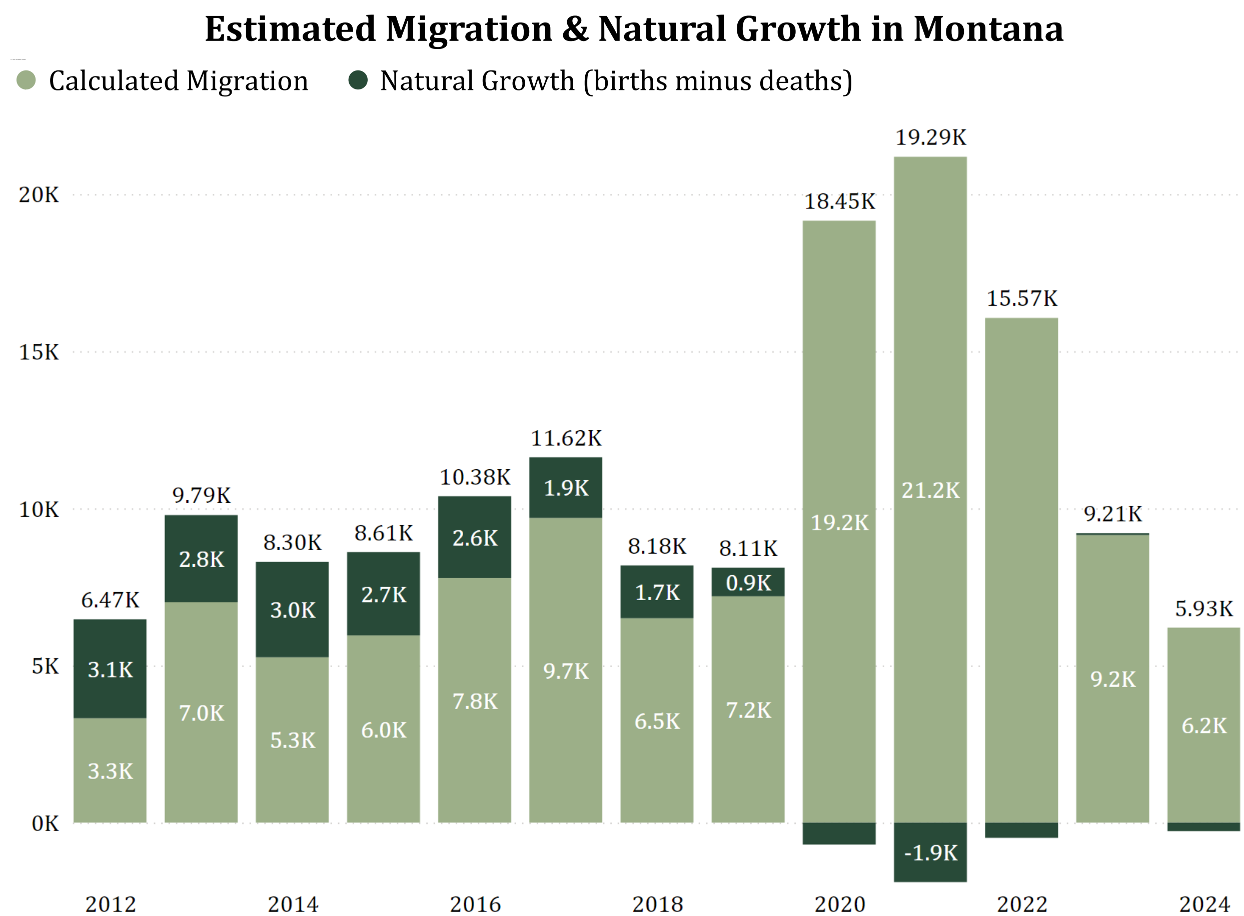
Finally, the retirement age proportion is projected to continue to grow into 2030 and then flatten out into 2040. Montana currently has the 8th highest percentage of population over age 65: about 21.2% in 2024. The oldest state by this metric is Maine at 23.5%. Montana's neighboring states are 20.0% over age 65 as of 2024 (Wyoming) or below. Idaho and North Dakota are 17.8% and 17.6%, respectively.

Observation 2

Birth Rates Are Low, Future Population Growth Depends on Migration

The birth rate has dropped consistently in the US since 2007, with the exception of a small rise from 2020 to 2021. Montana is not an exception to this national trend. The U.S. birth rate in 2007 was 2.12 lifetime births per woman, just above the replacement rate of 2.1. The current U.S. birth rate is about 1.6. Montana and similar states have exhibited a pattern of near-consistent decline in rates since 2014. The Dakotas and Alaska are national outliers with higher-than-average birth rate but have still declined since 2007.

Low birth rates and an aged population lead to the results shown in the following chart (data from the U.S. Census Bureau), where population growth is contingent on positive net migration. In the most recent year of data (2024), deaths exceed births in Montana. Also notable from this chart is the trend in net migration: net migration in Montana has returned closer to historic norms after a few years of high growth during the COVID pandemic era.



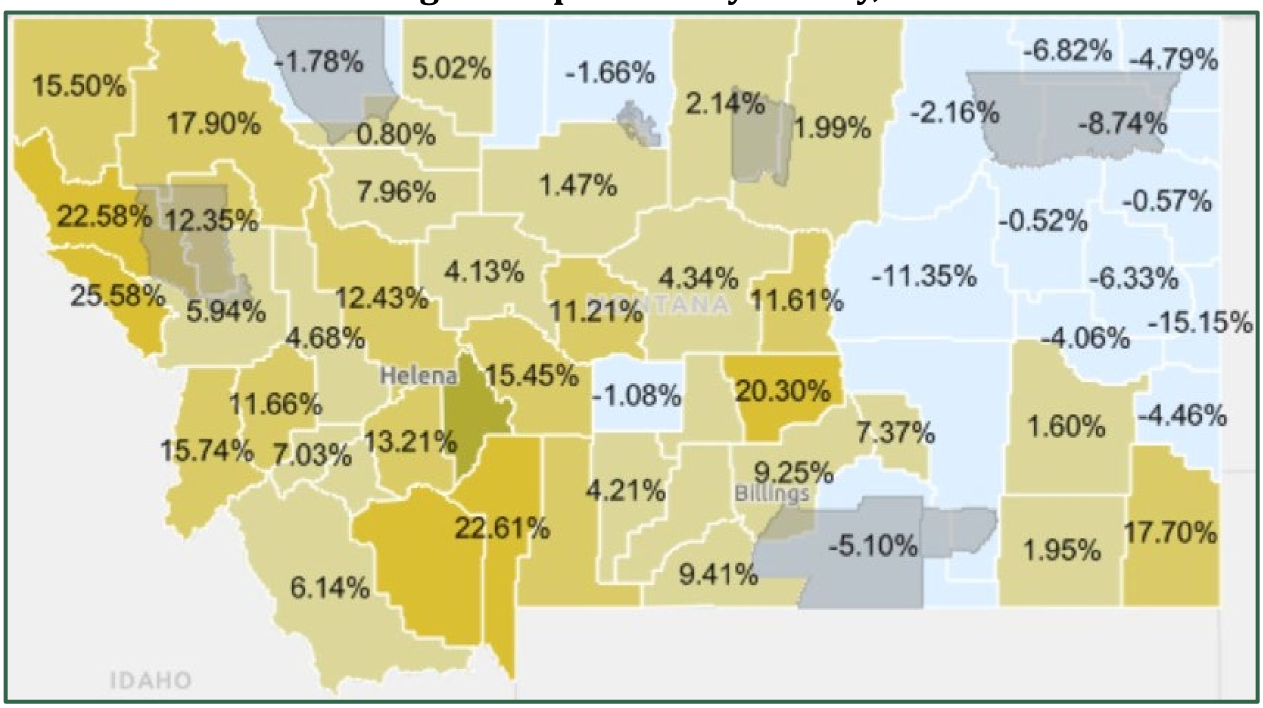
Observation 3

Different Parts of Montana Have Varied Demographic Trends

Montana is a geographically large state, and different areas of the state have shown significant differences in how they experience demographic change. Consider first population aging, which is projected out to 2030 in the full version of the demographic report. In many cases, rural counties are expected to experience higher rates of population aging than counties with larger cities.

Like aging, migration is not evenly distributed across Montana. Consider the below image, which shows a sum of ten-year migration patterns + natural population change across all counties (gold indicates positive growth, and light blue indicates negative growth). Migration has led to population increases in western Montana and south-central Montana, but the opposite has occurred in parts of central, northern, and eastern Montana.

10-Year Change in Population by County, 2014-2024



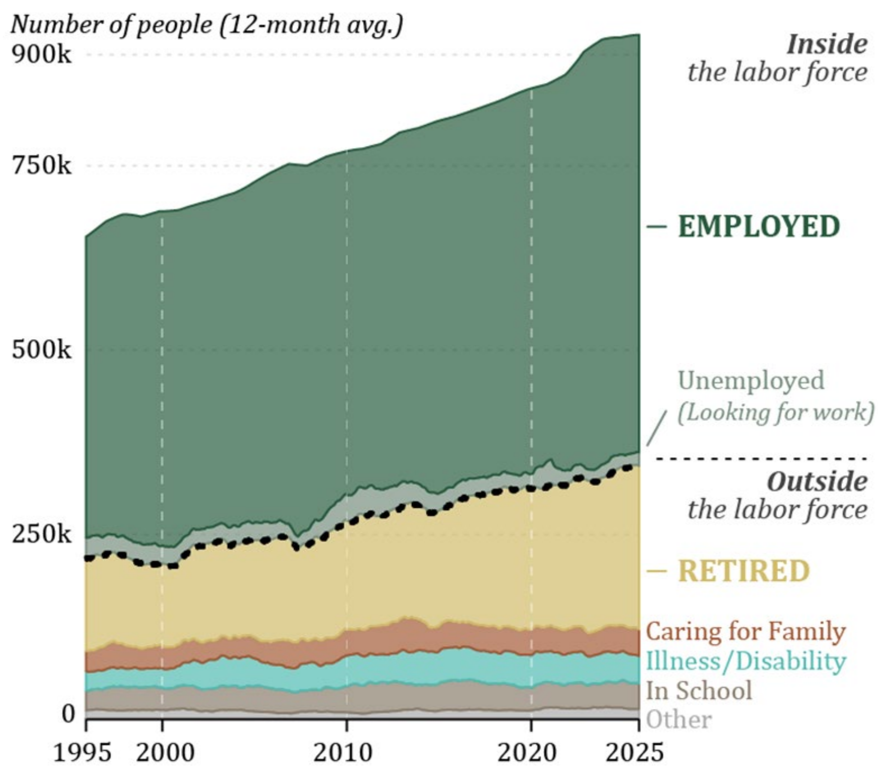
Observation 4

An Aging Workforce and High Levels of Retirements Have Reduced Montana's Labor Force Participation Rate

The Labor Force Participation Rate (LFPR) among all Montanans aged 16 and over has declined from 68.8% in 2000 to roughly 62.4% at the end of 2025, following a similar decline as the U.S. However, the LFPRs for each age group have been stable or increasing over the last 30 years, indicating that the decline in overall LFPR is due to the aging of the workforce and a greater share of Montanans in retirement.

The number of adult Montanans who are retired and not a part of the state's labor force has grown. Roughly 221,000 Montanans were retired in 2025, representing 24% of the state's population age 16 or older that year, up from 20% in 1995. In comparison, about 37,000 Montanans were outside the workforce in 2025 because they were caring for children or other family members. An additional 37,000 were not working because of an illness or disability and 35,000 were attending school. Only a small share of Montanans were not employed or looking for work for other reasons.

Employment Status of Montana Adults, 1995-2025



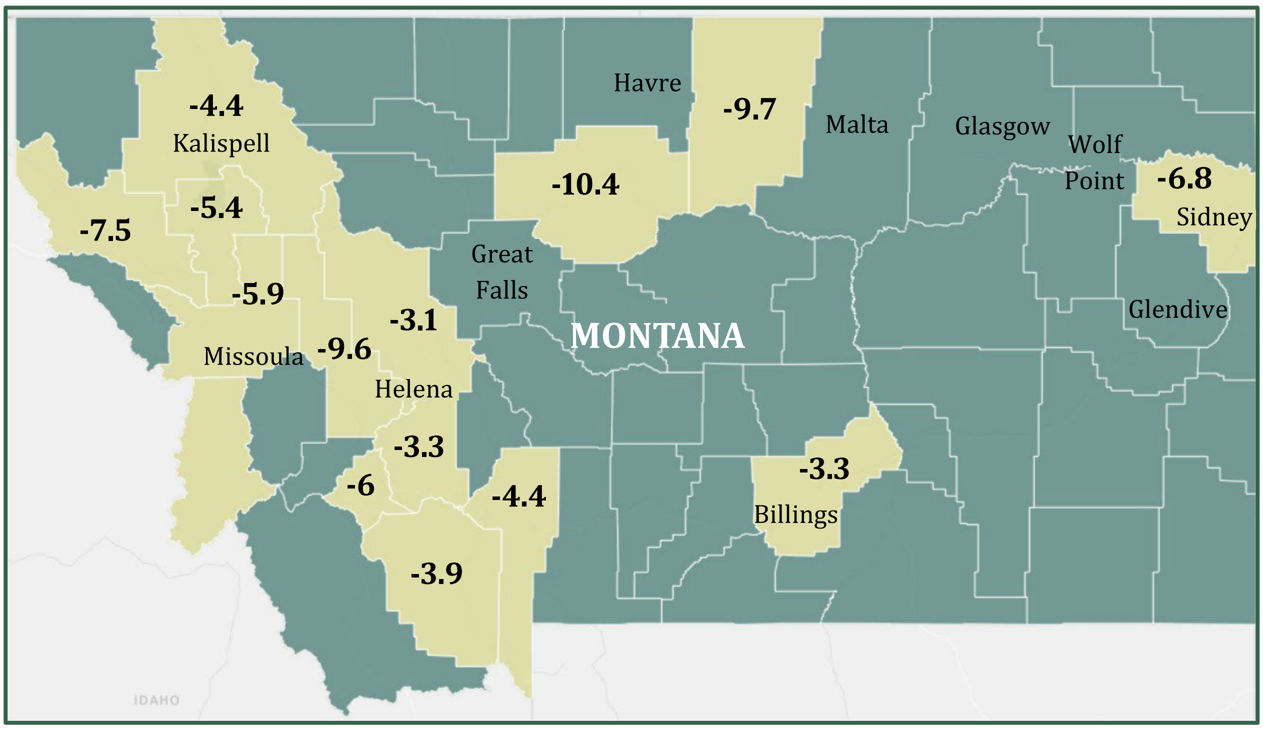
Income

Observation 5

Rising Income Levels and Reduced Poverty Rates

In 2024, Montana had an average poverty rate[1] for all people of 11.5% (+/- 0.3), which is statistically lower than the national rate of 12.5% (+/- 0.1). Over the 2014-2024 timeframe, poverty rates have significantly declined in 15 Montana counties (see adjacent map). Over this period, Montana per capita income has increased more quickly than the U.S. per capita income. This plays out in the relatively lower Federal Medical Assistance Percentage, or FMAP, that determines the state share of Medicaid and some other programs.

Counties with Significant Decreases in Poverty Rates, 2014-2024



Observation 6

Age and Income Trends Migration

In tax years (TY) 2020 through 2022, Montana experienced significant in-migration. The new taxpayers coming to the state were generally younger than the existing population, and on average had higher incomes, especially amongst the retirement-age cohort. In-migration to Montana has slowed considerably since the 2020-2022 peak, with TY 2024 new partial-year resident tax filers to the state returning to pre-pandemic levels.

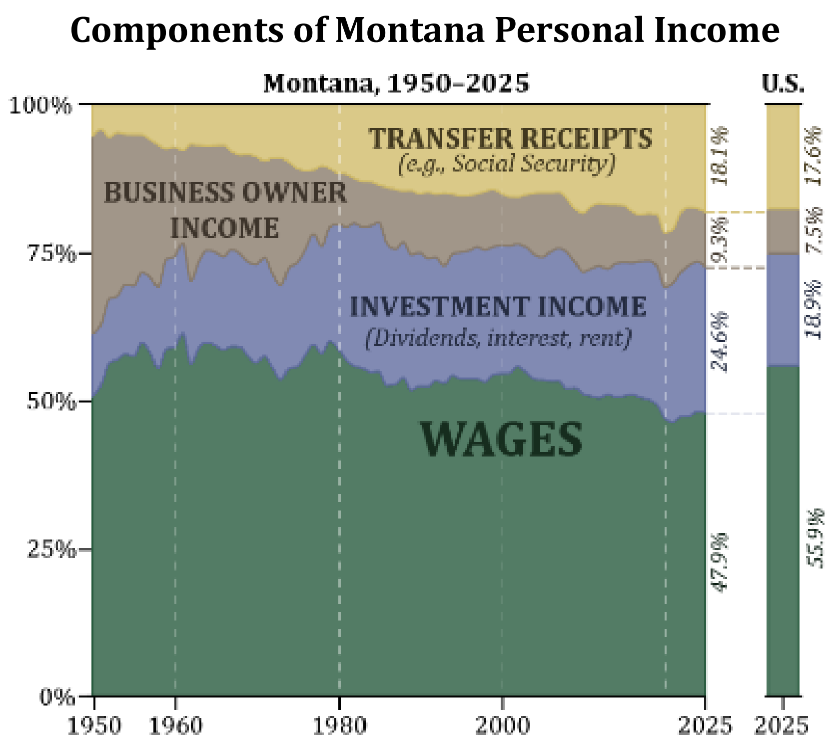
[1] Definition and calculation available at https://www.census.gov/topics/income-poverty/poverty/guidance/poverty-measures.html

While the amount of new tax filers who moved to Montana in 2024 decreased, the 2026 version of the Montana's Changing Demographics report illustrates that the types of taxpayers coming to Montana were like those who arrived between 2020 and 2022. Furthermore, prior studies show that taxpayers who moved to Montana during the early part of the 2020's continued to earn relatively strong levels of income in the succeeding years. These taxpayers continue to contribute to Montana's tax base.

Observation 7

Montanans Earning More from Investments and Transfers

More of Montanans' income comes from sources other than wages, including business income, investments, and government transfers (like social security and veterans' benefits). Although wages remain the largest source of income, income from investment income and transfer receipts has gained relevance.



Transfer receipts primarily comprise of income transferred to Montanans from the federal government, including social security, veterans' benefits, and other government support payments. This type of income has grown in absolute terms and as a share of income as portions of Montana's population aged into retirement. Montana's share of income from transfer payments in 2025 is roughly comparable to the national share.

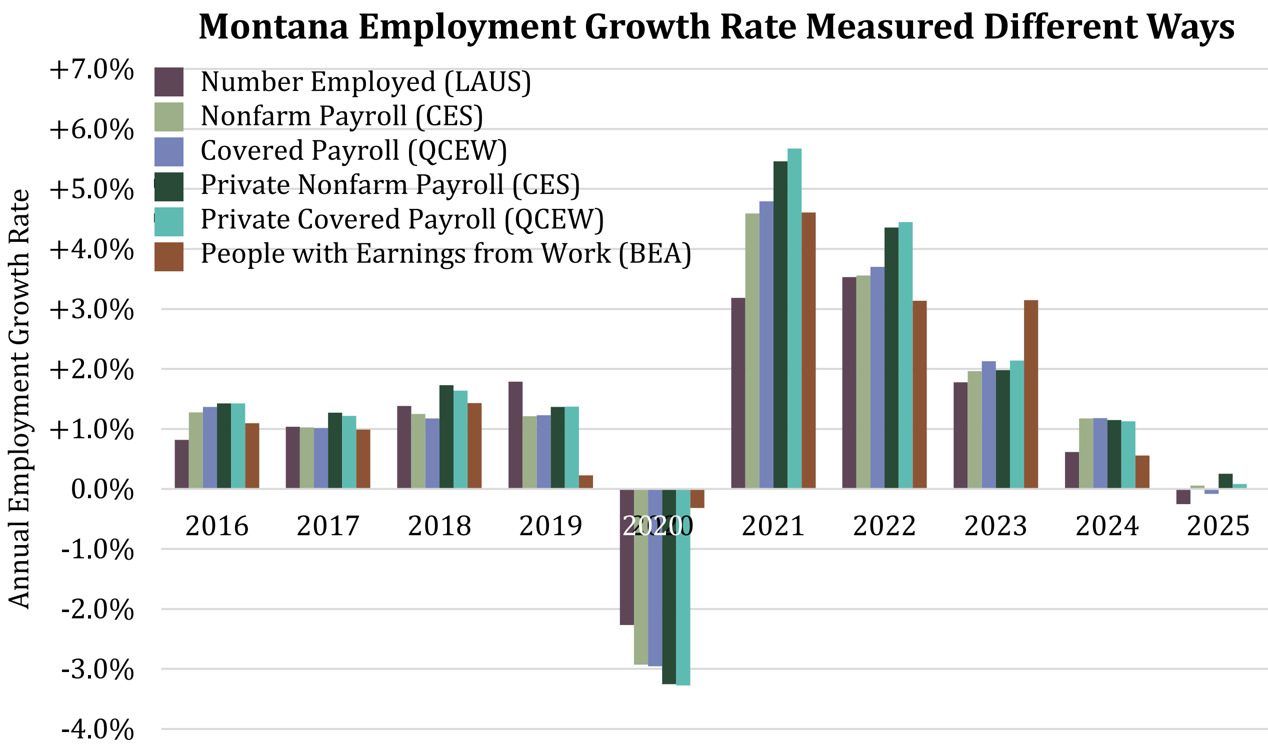
Montana is higher than the nation in the share of income coming from investments, which includes dividends, rent payments, and gains from the sale of investments including residential property. The gains in this category can also partially be explained by Montana's population aging, as individuals tend to build up assets as they age, but it also suggests a higher average wealth level than in the past. Investment income comprised nearly a quarter of personal income in 2025.

ECONOMICS

Observation 8

Employment Growth Stalled in 2025

Montana's employment growth has slowed after above-average growth coming out of the pandemic. The adjacent chart illustrates Montana's annual employment growth using six different metrics commonly used to measure employment. Regardless of the data source, employment growth stalled in 2025.



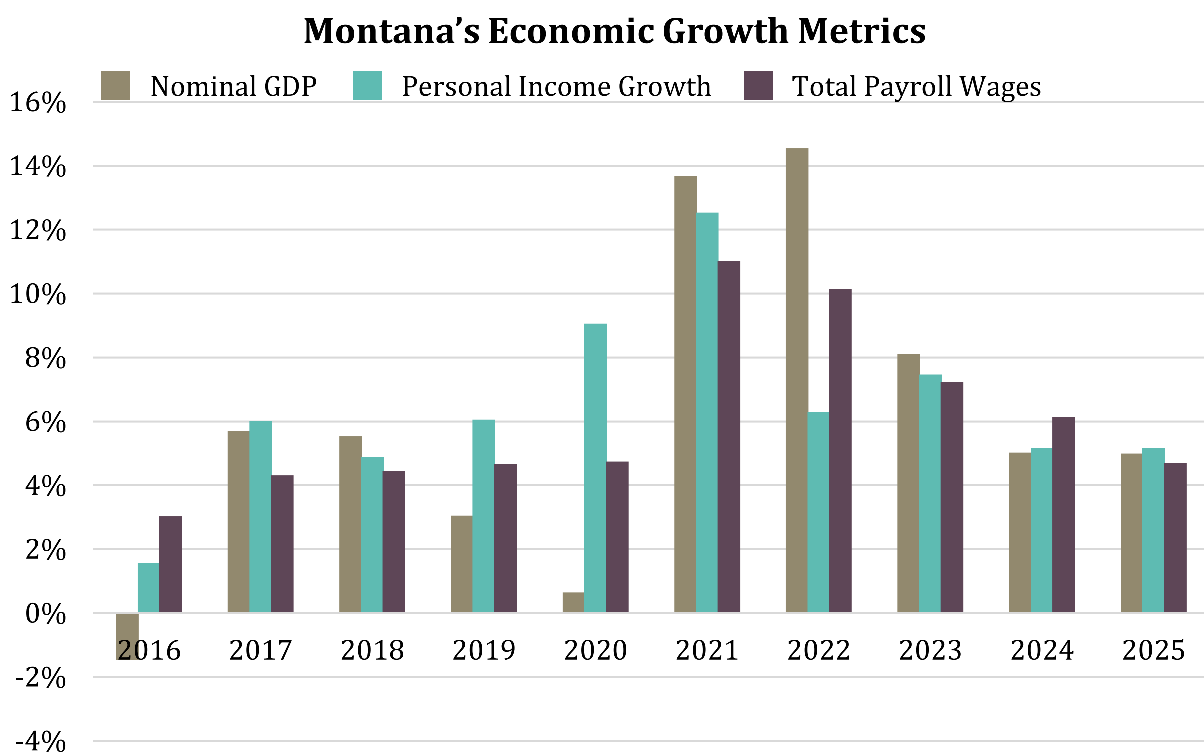
Observation 9

Montana's Economy Slowed from Post-Pandemic Surge

Montana's economic growth has slowed from the rapid growth posted in the post-pandemic period. The graph "Montana's Economic Growth Metrics" illustrates the growth in Gross Domestic Product (GDP), personal income, and total payroll wages paid. All three of these metrics indicate a slowdown from the post-pandemic surge.

As described in previous observations, growth was high during 2021-2023, driven by high levels of in-migration and government stimulus spending. In-migration added more consumers, driving up demand for outdoor recreation, restaurants, healthcare, and other consumer-driven industries. In-migration also added more workers and allowed businesses to respond to the higher demand. Government stimulus heightened the demand effect by increasing disposable income, allowing each consumer to buy more. Additional infrastructure stimulus in 2021 drove activity in construction, engineering, and architecture firms.

However, in-migration peaked in 2022 and has since fallen to pre-pandemic levels. Federal government stimulus spending has also declined, eliminating these two drivers of post-pandemic economic growth. GDP, personal income, and total payroll wage growth all slowed in 2025, and indicated a return to pre-pandemic growth levels.



Observation 10

Individual Income Tax Collections Grew at a More Modest Pace

As Montana's economic growth slowed, so has the growth in adjusted gross income (AGI), which is income reported on tax returns. However, AGI growth has been stronger than economic growth (as measured by employment, personal income, total wages, or GDP), posting preliminary gains of 7.6% in 2025.

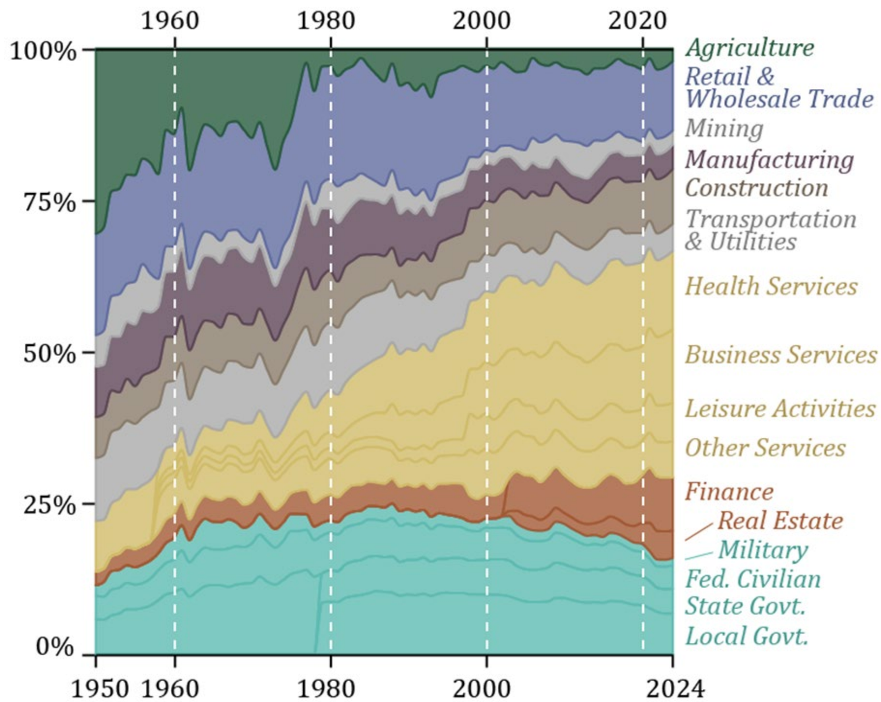
The likely cause of the stronger growth in adjusted gross income is that more Montana income is coming in the form of investment income, transfer payments, and sources other than wages, as described in Observation 7. The income from sources other than wages continues to be a positive upward force in Montana income tax collections, but it comes with the downside of added volatility. Legislative Fiscal Division analysis indicates a higher volatility of nonwage income, which adds to the complexity of forecasting income tax collections.

Observation 11

Montana's Industry Mix Is Shifting

Although the traditional natural resource industries of agriculture and mining are still important to the economy, the way in which Montanans extract value from our natural resources is changing from production and extraction to enjoyment of pleasant views and outdoor recreation opportunities. The adjacent chart illustrates the share of Montana personal income by sector from 1950 to 2024.

Share of Montana Earnings by Sector Since 1950



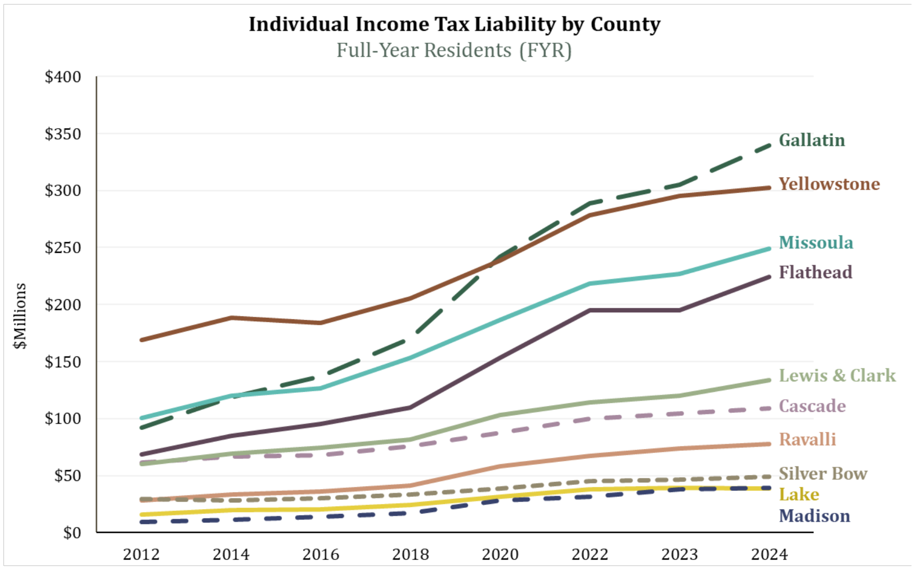
Although most industries have grown in absolute terms after adjusting for inflation, the share of the economy represented by traditional natural resource industries has shrunk. In 1950, agriculture represented nearly a third of the state's earnings, while mining contributed another 5.2%. These industries are still important to Montana's current economy, contributing $2.3 billion of earnings in 2024, but comprise a smaller share of the economy (a combined 4.4%). Additionally, while manufacturing earnings more than doubled in real terms from $950 million in 1950 to $2.1 billion in 2024 (in 2024 dollars), manufacturing's share of the Montana economy shrank from 8.3% to 4.0%.

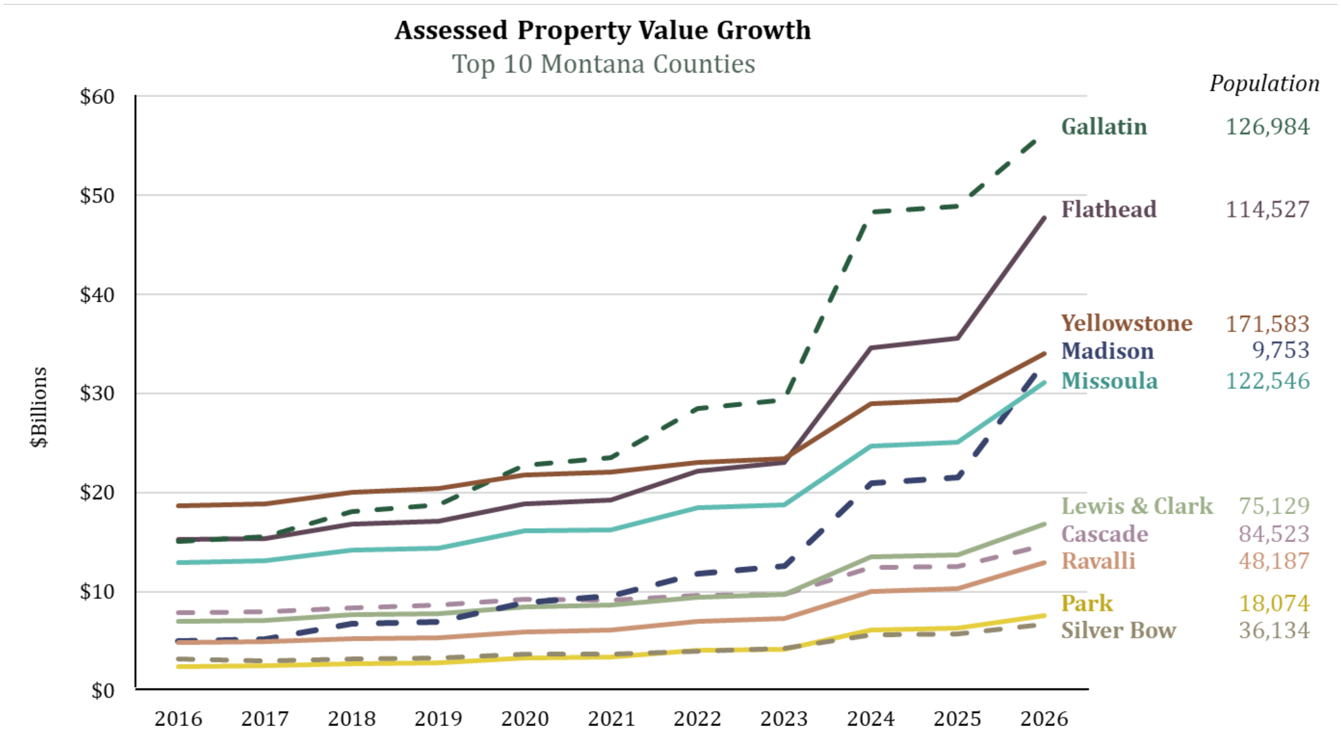
In contrast, service industries such as health care, real estate, and leisure activities have represented a growing share of Montana earnings over the past 75 years. As of 2024, those industry sectors represented 51% of the economy, up from 21% in 1980 and 11% in 1950. Growth in both real estate and leisure activities is partially driven by the enjoyment of Montana's natural resources in terms of plentiful outdoor recreation opportunities and pleasant views.

Observation 12

Gallatin, Madison, and Flathead Lead Gains in Taxed Income and Value

These changes to the economy have impacted the relative income tax collections and property tax assessed values among counties. Although the most populous counties are still among the top counties for income tax liability and value of assessed property, Gallatin, Flathead, and Madison Counties have all posted strong growth in both individual income tax liability and property tax valuation. Gallatin is now the highest county for individual income tax liability and property tax valuation. Gallatin County exceeded Yellowstone County in individual income tax revenue to the state, yet population in Gallatin County remains 26% lower than Yellowstone County. Flathead County is in the top four counties for individual income tax liability and second for property tax values. Finally, despite its rural nature, Madison County makes the top 10 list for individual income tax liability and is fourth for property tax liability.





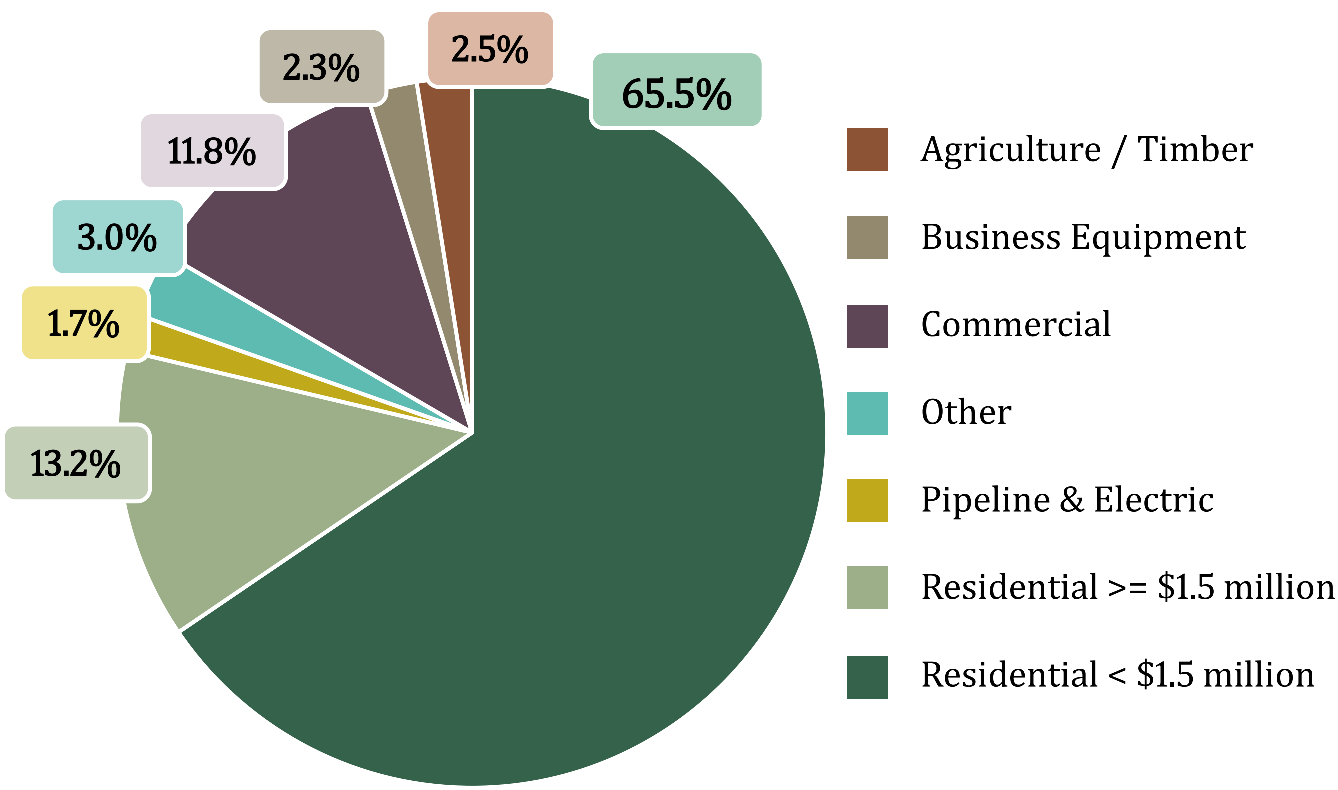
Observation 13

Luxury Home Market Impacts Growth, but Is Geographically Concentrated

Real estate is Montana's largest industry by GDP, adding $12.2 billion GDP in 2025, making it larger than agriculture, mining, utilities, and manufacturing combined. Real estate GDP includes the realized gains from the sale of homes, land, and other Montana real estate. Real estate has been Montana's largest industry for much of the last two decades, partially due to the fast-growing luxury home market.

Property values from the Montana property tax system can provide additional insight into where the economic value in real estate is coming from. The following chart illustrates statewide assessed property values by class for tax year 2025. Agricultural property is valued by its productive capacity, industrial property by its ability to generate revenue and its share of total district allocated company value, and residential and commercial property by the sale prices of comparable properties. Residential property comprises 78.7% of total assessed value. Roughly 13.2% of that total value comes from residential properties where the home is valued at over $1.5 million.

Assessed Value by Class Grouping, TY 2025



The high-end luxury home market is concentrated in just a few counties, as shown in the table below. While Gallatin and Flathead counties have considerable shares of this market, over $25.3 billion of the assessed value of the high-value residential properties are within Madison County and clustered in and around Big Sky – more than all other counties combined.

Location of High-Value Residential Properties

Assessed Value of Single-Family Residence with Structures Worth Over $1.5 Million

County	Total Assessed Value	Count of Properties	Share of Value
Madison	$25.3 billion	2,527	57.1%
Gallatin	$8.8 billion	2,055	19.7%
Flathead	$6.6 billion	1,697	14.9%
Lake	$0.9 billion	219	2.0%
Ravalli	$0.7 billion	211	1.5%
All Other	$2.1 billion	818	4.8%

Demographic, Income, & Economics Conclusion

Montana's economy and people continue to evolve and change. The average age has increased and birth rates have fallen, impacting the cost of providing services, the types of products demanded in the economy, and the types of income earned by Montanans. The state has also grown economically, with generally higher incomes and lower poverty rates. Lawmakers will need to consider whether tax structures and public policies fit the current state of our state.

FINANCIAL OUTLOOK FOR THE 2029 BIENNIUM

The purpose of this report is to provide legislators with a preliminary analysis of the major budget considerations for the upcoming 2029 biennium budget. The report focuses on the state general fund and provides an outlook through FY 2031 of ongoing general fund expenditures and revenues. These projections provide policymakers with tools to quantify available resources in the upcoming budget cycle. This report focuses on, but is not limited to, the following:

- General fund present law expenditure projections
- General fund structural balance projections
- Pressures and risks to the budget
- Financial reserve balances
- General fund revenue projections

OUTLOOK REVENUES

A Look Back Then Looking Ahead

Historical Revenues

The past two decades of Montana's revenue collections have experienced periods of rapid growth, rapid declines, and modest growth that slightly outpaces population and inflation. Until recently, most of these periods have experienced these vastly different trends without significant policy changes to Montana's revenue streams.

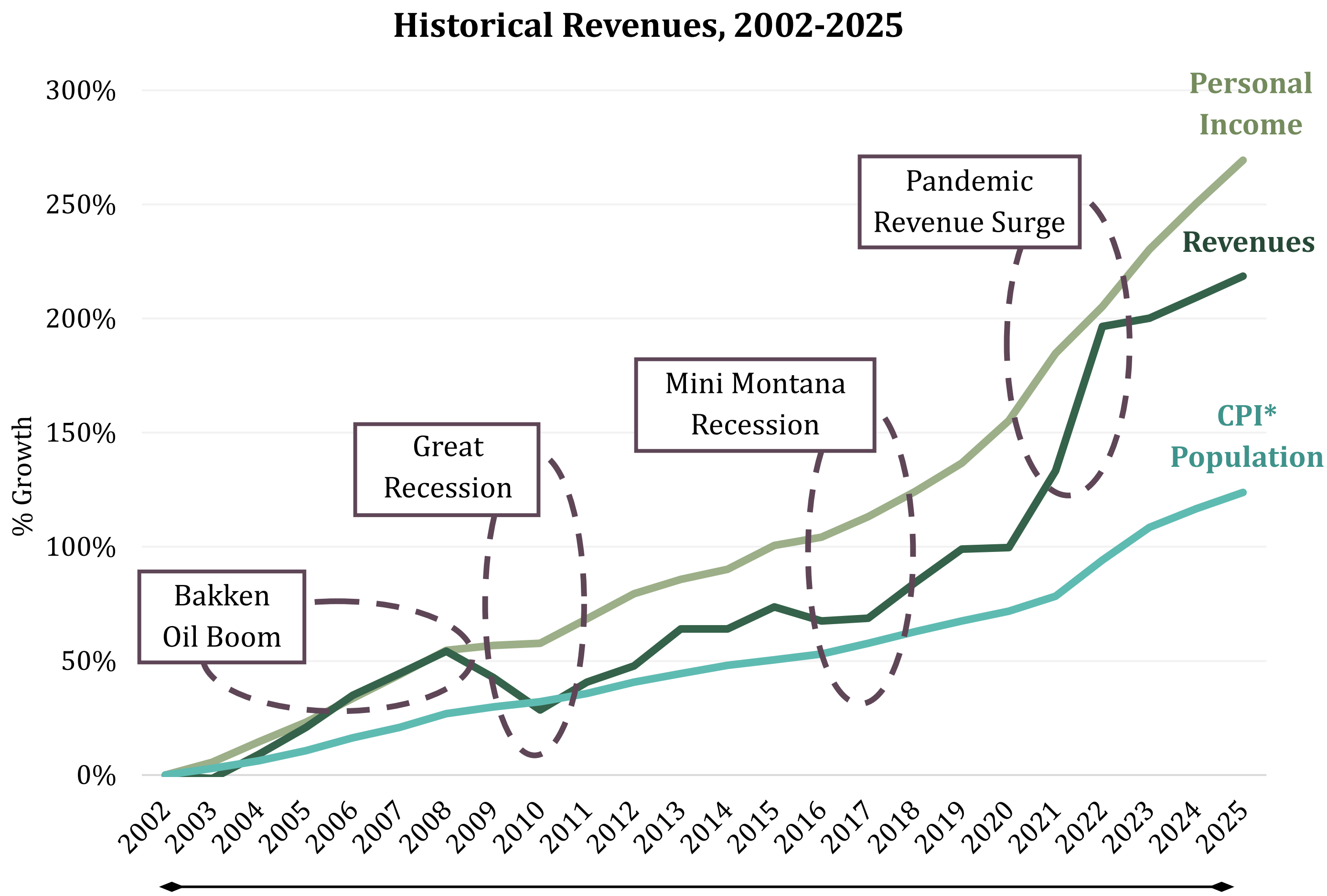


Figure above shows indexed growth of **ongoing general revenues** compared to growth in statewide **personal income** and the combined growth of **inflation and population**.

Generally, outside of significant expansions or contractions of the economy, Montana's revenues (general fund and state-levied property taxes) grow slower than statewide personal income, but faster than combined population and Consumer Price Index (CPI = inflation) growth. The periods when state revenues have rapidly increased or declined are illustrated in the figure above, along with explanations for these increases/decreases.

During the 2021 and 2023 Legislative Sessions, passed legislation reduced individual income tax rates. Most of these provisions became effective in TY 2024 and were expected to cause FY 2025 revenues to decline. These tax policy changes have been included in this analysis of income and property tax changes.

However, total income claimed on tax returns in TY 2024 grew 8.7%, much stronger than expected, leading to continued growth in individual income tax collections in FY 2025 as opposed to the projected decline. Overall, general fund revenues grew 4.1% in FY 2025 compared to an anticipated decline of 1.7%.

Revenues: Looking Ahead

In the 2025 Legislative Session HB 337 was passed which reduced individual income taxes further. By FY 2029 HB 337 was estimated to reduce individual income tax collections by $278 million annually. In addition to the individual income tax reductions from the 2025 Legislative Session, House Resolution 1 (HR 1) signed on July 4, 2025, at the federal level, will also reduce Montana's income tax collections. It is estimated that the provisions of HR 1 will reduce Montana's income tax collections by another $115 million per year through FY 2029. The implications of the income tax reductions at both the state and federal levels are reflected in the forecasted revenue in the figure below.

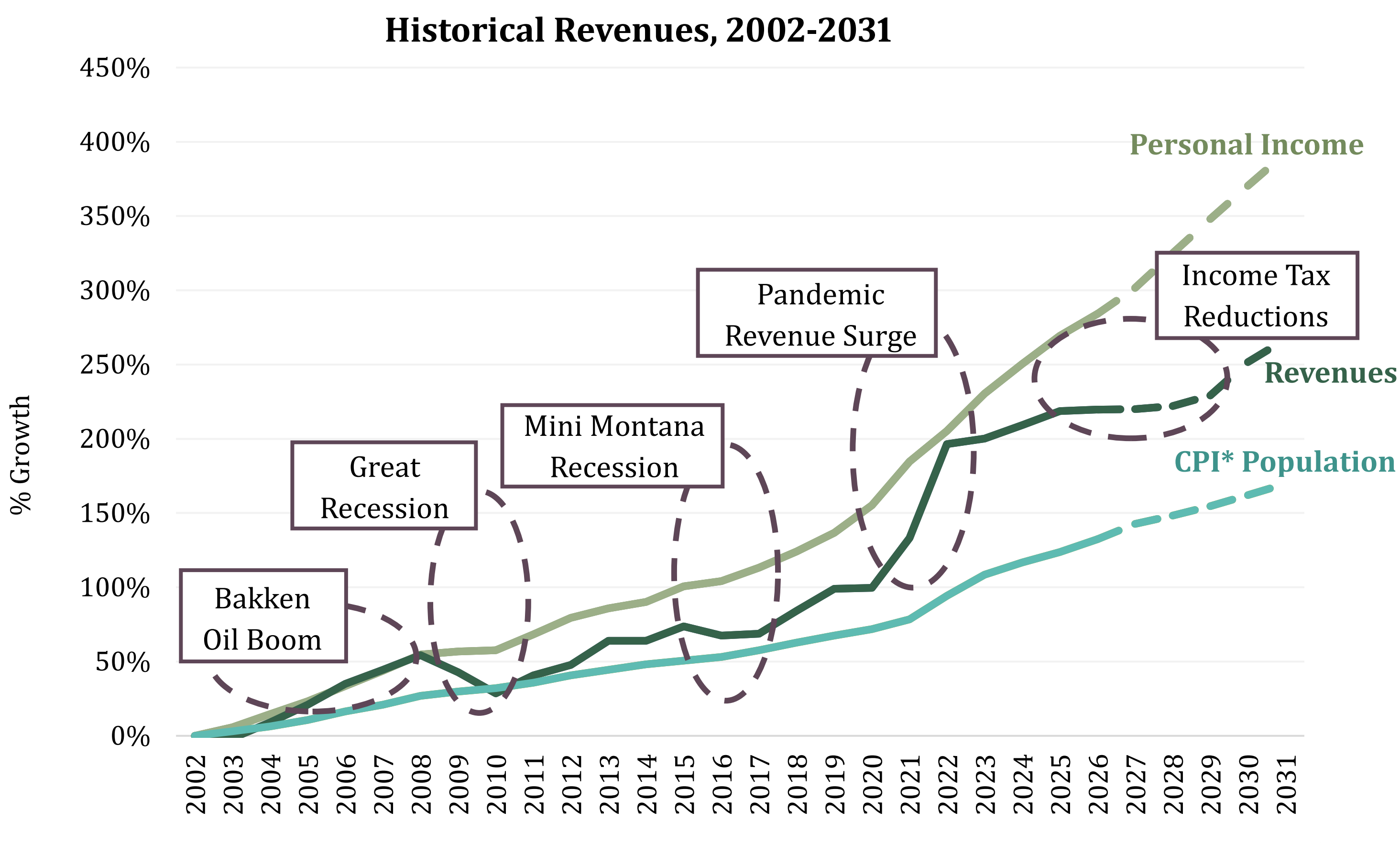


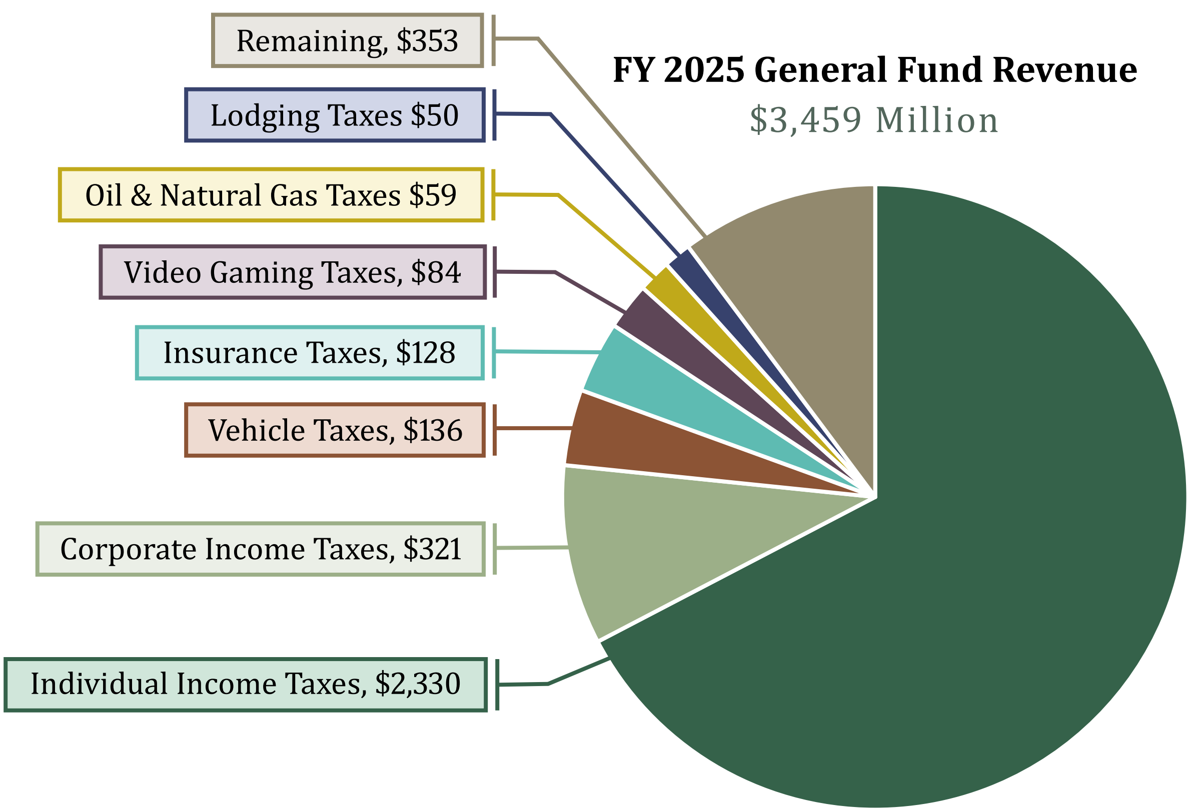
Figure above shows indexed growth of **ongoing general revenues** compared to growth in statewide **personal income** and the combined growth of **inflation and population**.

Listed below are a few highlights from the Outlook period (FY 2027-FY 2031):

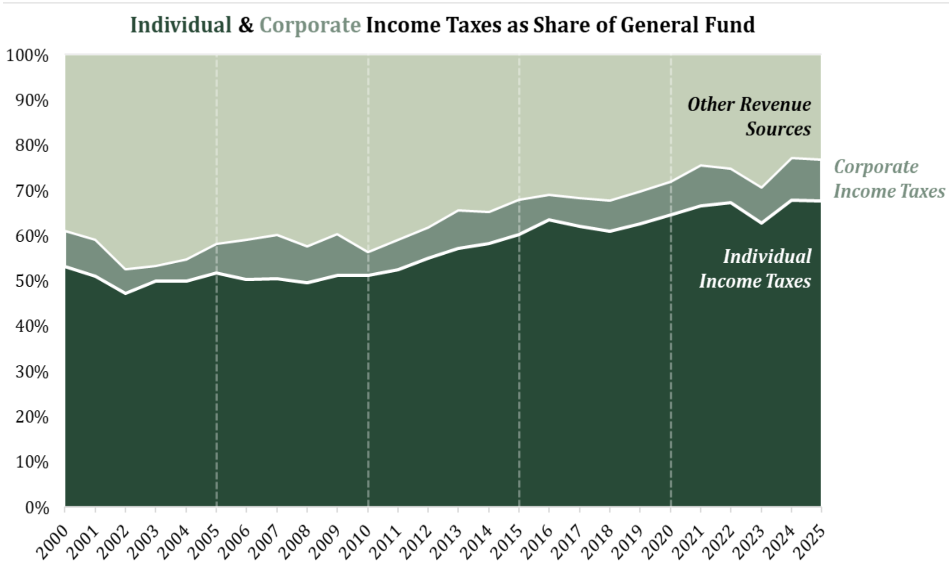
- By the end of the Outlook period the indexed growth for revenues is anticipated to be near the midpoint of the indexed growth for personal income and the combined growth of CPI and population.
- The combined effects of HB 337 and HR 1 cause revenues to experience virtually no growth from FY 2025 to FY 2028.
- Once HB 337 is fully implemented and most provisions of HR 1 sunset, modest revenue growth returns in FY 2029 through FY 2031.
- Interest earnings on treasury cash, which peaked at $164.8 million in FY 2024, are forecast to continue to decline through the Outlook period to approximately $64 million by FY 2031.
- Property taxes levied by the state that offset general fund dollars needed to fund BASE Aid were reduced in the 2025 Legislative Session. Strong growth is nonetheless expected in FY 2027 before modest growth is experienced afterwards through FY 2031.

General Fund Revenues in Perspective

Most of Montana's general taxes are deposited in the state general fund. Some notable exceptions are fuel taxes which fund Montana's highways and state-levied property taxes that are deposited into the School Equalization and Property Tax Reduction (SEPTR) account. Montana's general fund revenues are driven by income taxes, notably individual income and corporate income. In FY 2025, individual and corporate income taxes made up a combined 77% of total general fund revenues. The figure below illustrates the relative size of income taxes compared to other major general fund revenue sources.



While corporate and individual income taxes have always made up a material portion of general fund revenue collections, their relative share has been increasing for decades. The general fund's growing dependence on income tax revenues is reflected in the adjacent figure. Since the state-levied 95 mills are no longer deposited into the general fund, they have been removed from historical general fund collections to produce the adjacent figure.



In November of even-numbered years, the Revenue Interim Committee (RIC) hears revenue collection forecasts from legislative analysts and analysts representing the Governor's Office. The committee deliberates on the forecasts heard and adopts a three-year state revenue estimate, known as House Joint Resolution 2 (HJ 2).

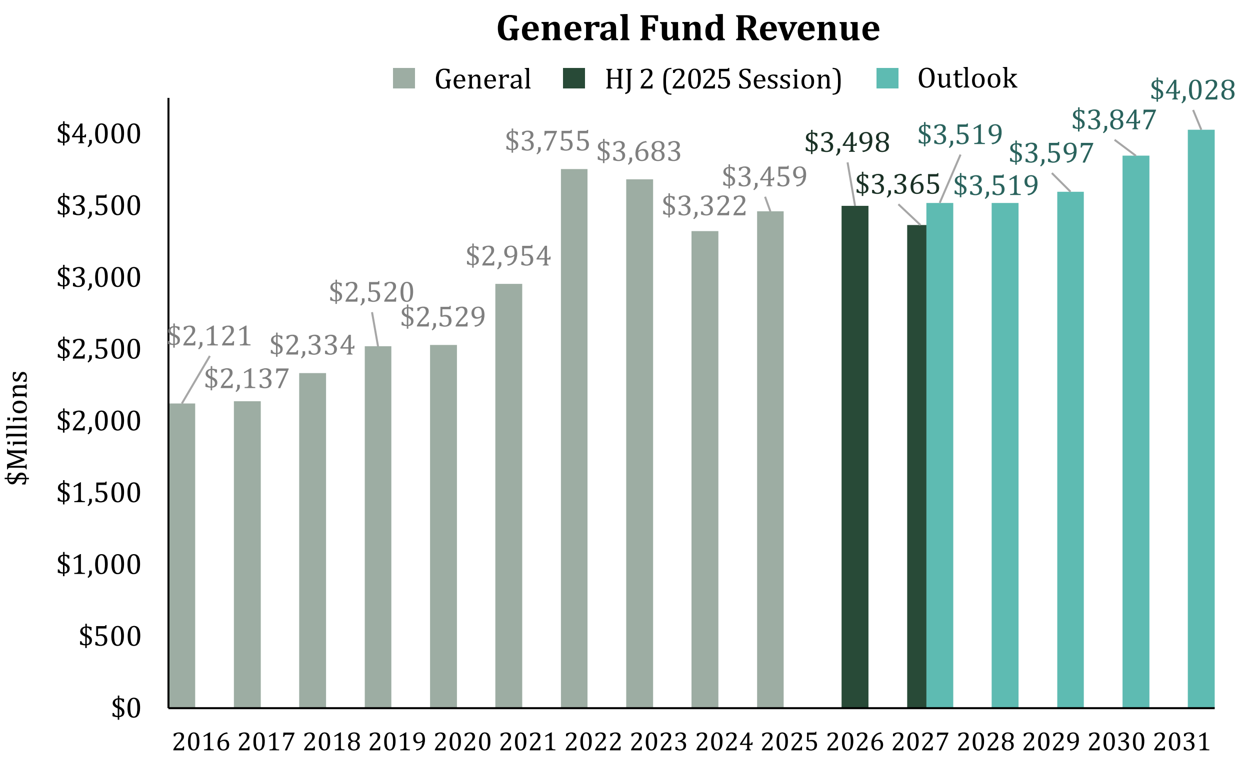


Figure above shows **historical ongoing general fund revenues**, the **adopted HJ 2 from the 2025 Session**, and the **outlook general fund forecast** through

This estimate is the official revenue estimate unless amended during the legislative session. This number is carried on the Legislative General Fund Balance Sheet and governs the projected amount of available funds. The general fund budget adopted during the upcoming legislative session must be balanced with these projected revenues.

Given the relative importance of the HJ 2 revenue forecast, the Financial Outlook provides an early forecast of general fund revenues for the upcoming period.

The figure below shows the corresponding general fund revenue growth rates for the outlook period. In addition, two long-term average annual growth rates are shown. The first is the compound average annual growth rate of general fund revenues for the two decades preceding the Covid-19 public health emergency (FY 2000 through FY 2019). The second is calculated from FY 2000 through FY 2023, the last year that the state-levied 95 property tax mills were deposited into the general fund.

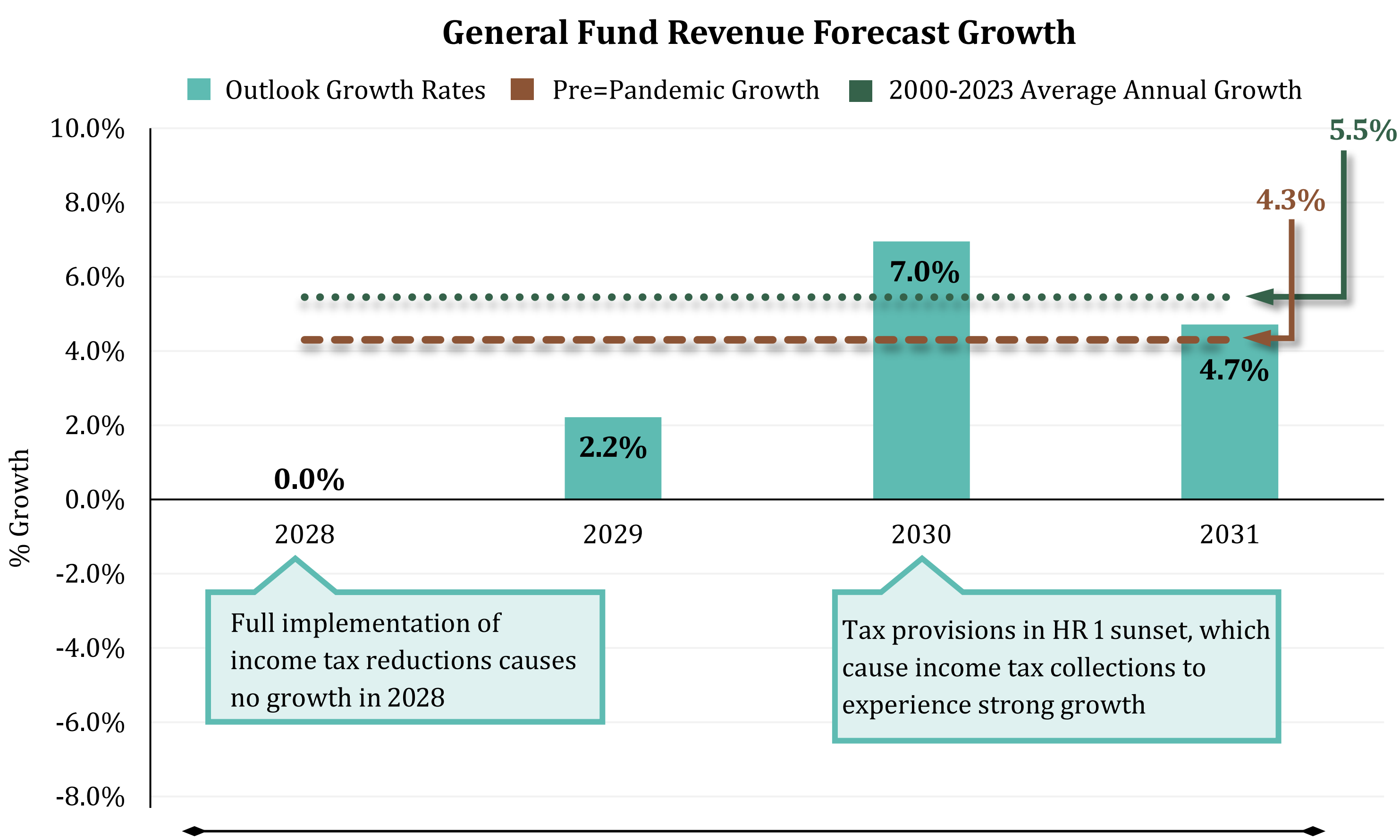


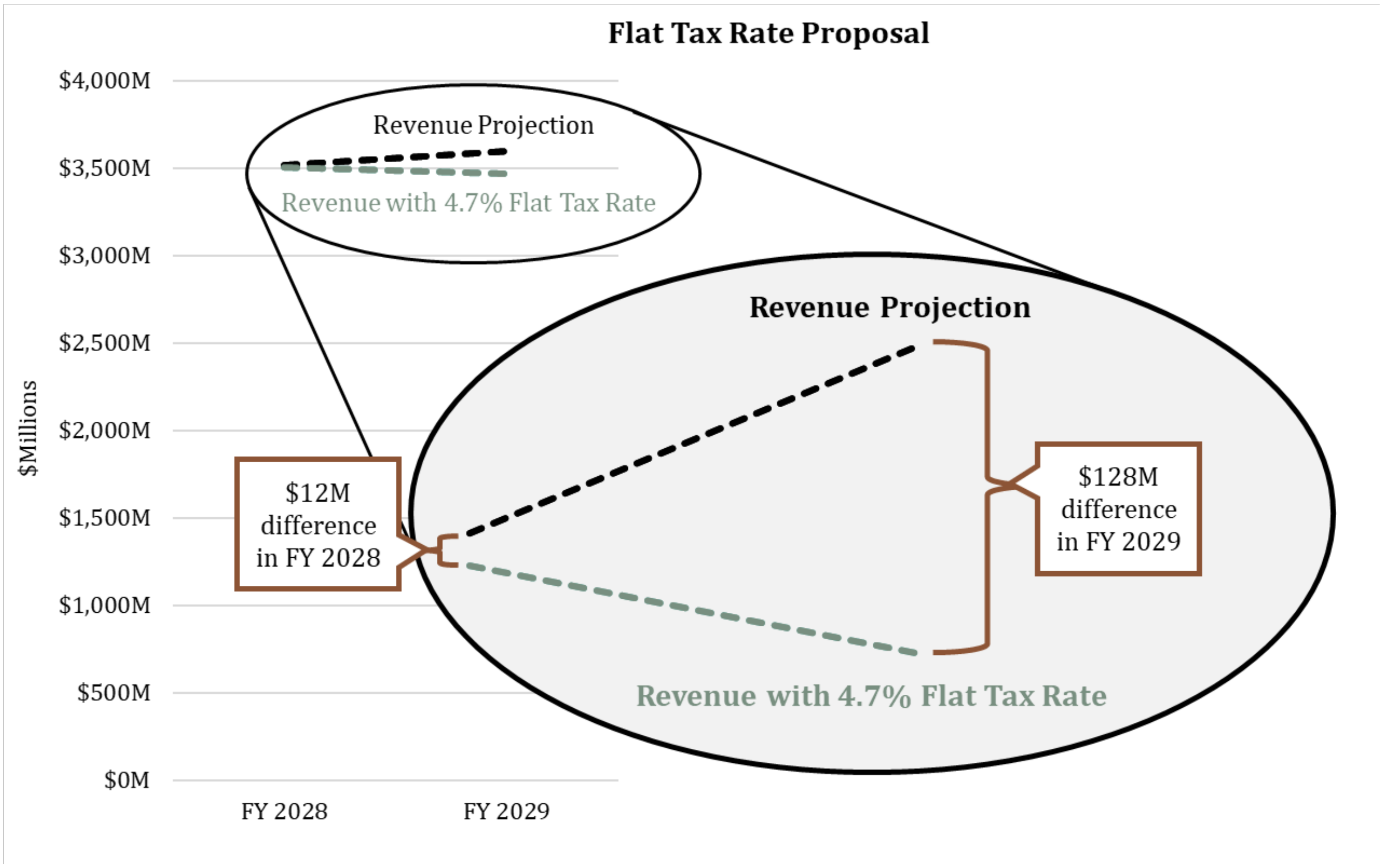
*Figure above shows the **outlook general fund growth rates** through FY 2031, the **pre-pandemic average annual growth rate** of 4.3%, and the **annual growth rate** of 5.5% that includes the pandemic-era revenue surge.*

In FY 2028 and FY 2029, Montana's general fund revenues are projected to be below pre-pandemic growth rates and surpass them in FY 2030 as many tax provisions in HR 1 sunset. In FY 2031 revenues are anticipated to return to typical pre-pandemic growth patterns.

Additional Known Revenue Pressures

Individual Income Tax Policy Changes

In the 2021, 2023, and 2025 Legislative Sessions, individual income tax policy was changed significantly. The top rate has incrementally been lowered from 6.9% to a scheduled 5.4% by TY 2027, and the lower income threshold that pays 4.7% has increased substantially. Further reducing the top rate to arrive at a flat tax of 4.7% would decrease individual income tax collections by an estimated $130 million per year by FY 2029. This assumes the flat tax of 4.7% would be effective on January 1, 2028.



OUTLOOK GENERAL FUND EXPENDITURES

A LOOK BACK THEN LOOKING AHEAD

HISTORICAL GENERAL FUND EXPENDITURES

The analysis in this section is limited to ongoing general fund expenditures; it is not the full analysis of all state resources but is limited to general fund to permit accurate comparisons and projections.

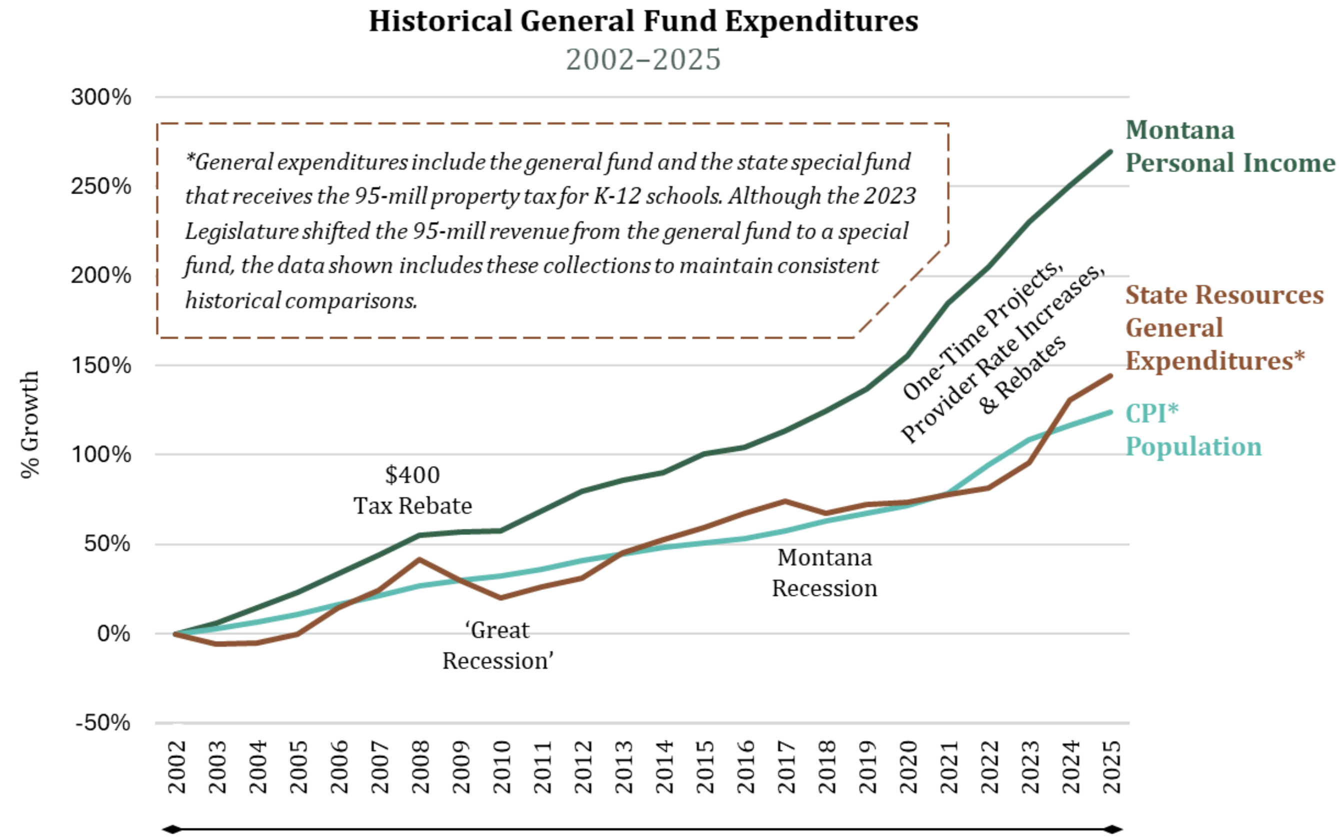
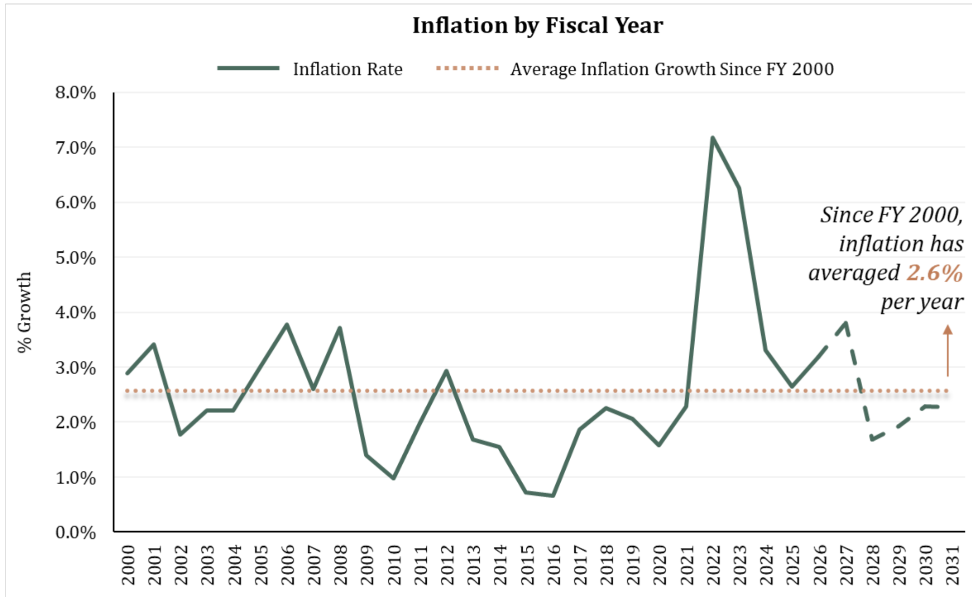


Figure above shows the growth in **State Resource General Expenditures*** compared to the growth in **Montana Personal Income** and **Inflation Adjusted for Population**.

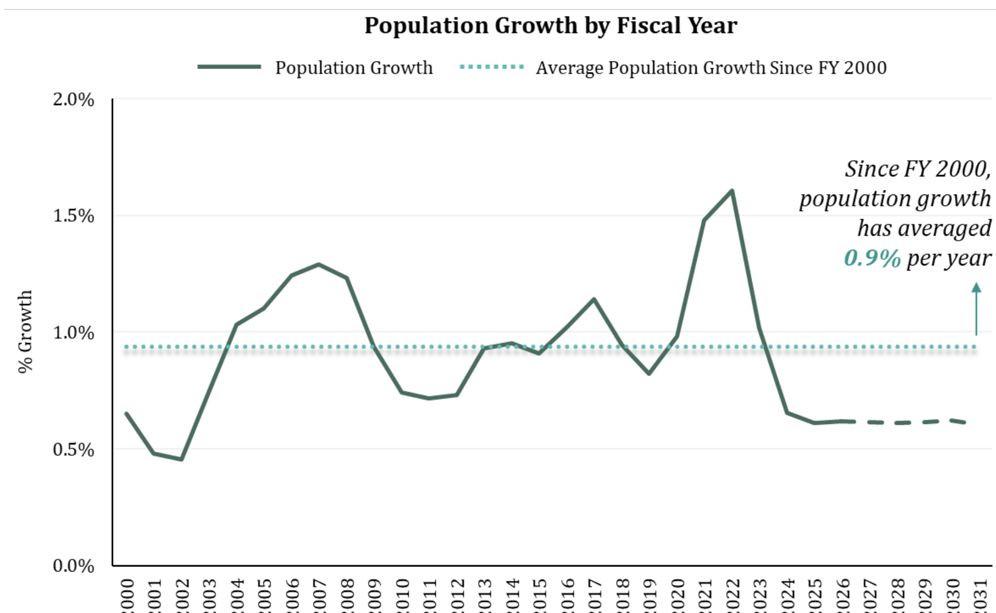
The above chart has some key spending points identified for state general expenditures. Generally, spending has cycled with the economy with moderate growth in the mid-2000s, declines during the Great Recession, a steady post-recession recovery with the exception of the smaller localized recession in FY 2017, and then post-pandemic growth that lagged other metrics in part due to the state's two-year budget cycle. In addition to economic pressures, statewide demographics also influence spending on this time scale. An example of that is flat or declining enrollment in the K-12 system. While the overall population has increased, the school-age population has not increased causing spending on the traditionally largest general fund expenditure, K-12 education, to be low relative to the overall population and personal income increase.

INFLATION & POPULATION

While the legislature can directly change funding requirements and appropriations, inflationary and population changes are not under the purview of the legislature. These two variables play a large role in present law funding levels and can be sporadic at times. After many years of running above historical averages, S&P Global (the firm that provides the LFD with econometric data) forecasts that year-over-year inflation will be below the long-term average of 2.6% by FY 2028, and close to the Federal Reserve's target inflation rate of 2.0% as seen in the figure above.

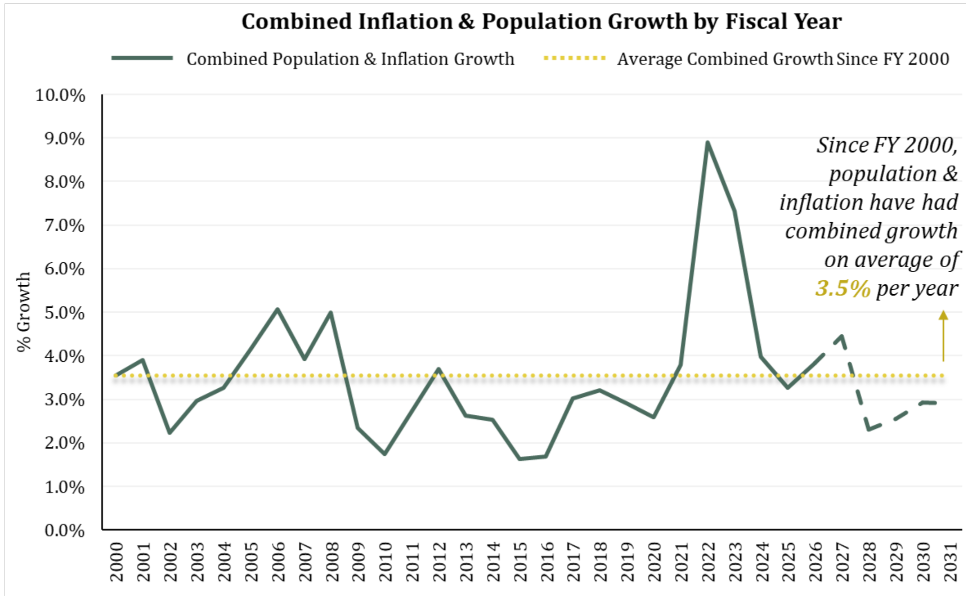


In similar fashion, Montana's population growth has been declining in recent years, following extremely strong growth in FY 2020-FY 2023. Not only has it been declining, but S&P Global anticipates that growth will be below the long-term average through the entirety of the Outlook period. The figure to the right shows historical growth along with forecasted growth and the long-term annual average of 0.9%.



In addition to monitoring population growth, the LFD has published several iterations of a detailed report on Montana's population demographics.

The combined growth of inflation and population is the primary driver of the forecasted present law expenditures through the Outlook period. Combined, inflation and population have grown approximately 3.5% on a year-over-year basis since FY 2000. Growth is anticipated to be 3.0% during the Outlook period as the figure below shows.



Expenditures: Looking Ahead

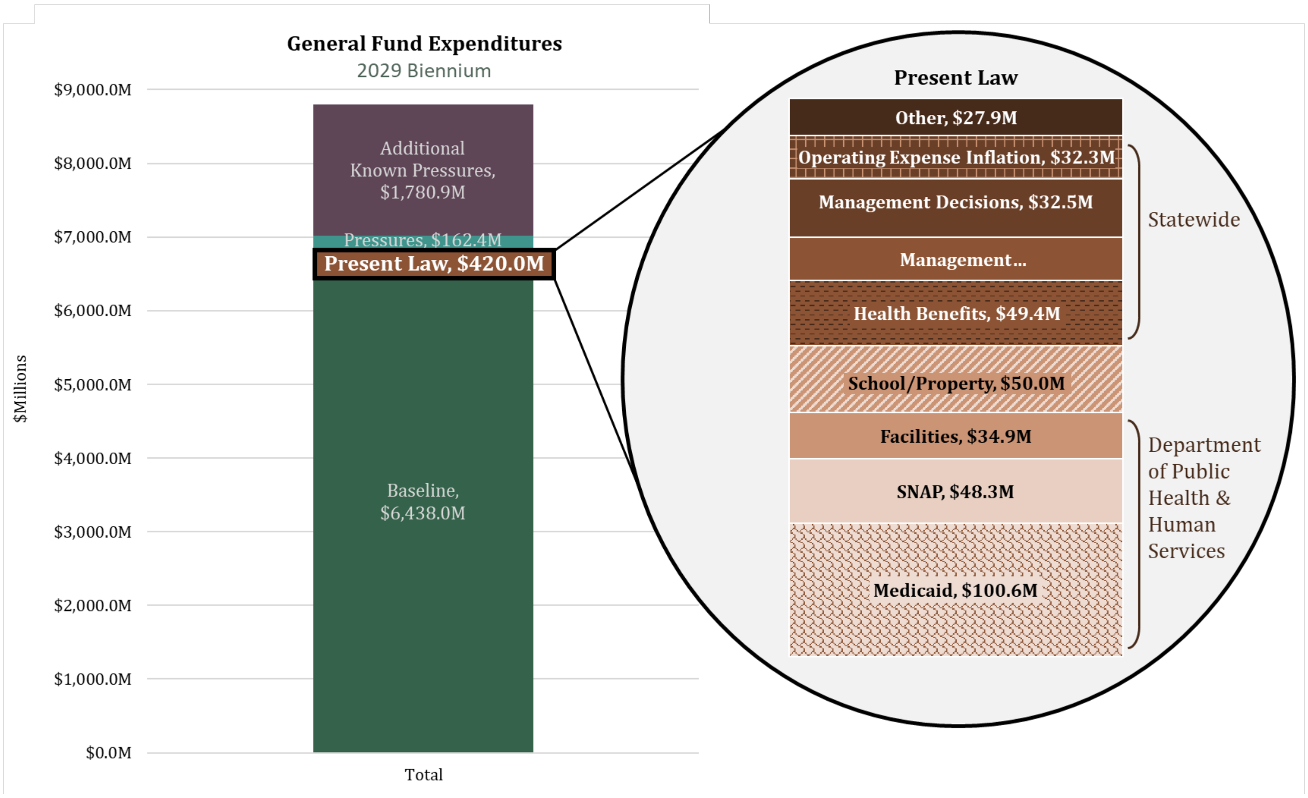
The following sections will provide information on significant general fund expenditure considerations for the upcoming 2029 biennium. While this document will highlight the notable expenditure considerations, there is an appendix that will include more detail by section of the budget (Section A, Section B, Section C, Section D, and Section E).

Present Law

Present law includes adjustments for the level of funding needed to maintain operations and services at the level authorized by the previous legislature. Montana statute, 17-7-102(13), MCA, provides examples of the items that should be considered present law adjustments. Statute explicitly states the following examples, but notes they are not a comprehensive list:

- changes resulting from legally mandated workload, caseload, or enrollment increases or decreases;
- changes in funding requirements resulting from constitutional or statutory schedules or formulas;
- inflationary or deflationary adjustments; and
- elimination of nonrecurring appropriations.

General fund present law adjustments total $420.0 million in the 2029 biennium. This includes inflationary changes that were applied to all state agencies for personal services and operating costs as well as changes applied at the individual agency level. The majority of the growth at the individual agency level is in the Department of Public Health and Human Services and the Office of Public Instruction. The following sections summarize those areas.



Statewide

Certain estimated present law adjustments were applied on a statewide basis to personal services and operating costs and totaled approximately $160.6 million over the 2029 biennium.

Employee Pay

There are two statewide present law adjustments related to employee pay, which include:

- Management decisions, which totals $32.5 million general fund over the 2029 biennium. During the interim, state agencies can make adjustments to employee pay which can impact the statewide adjustment for personal services. This was calculated statewide using the average pay adjustments associated with management decisions for FY 2020, FY 2022, and FY 2024. The average of approximately 2.1% was applied to all personal services in the 2029 biennium
- HB 13 pay plan, which totals $44.1 million general fund over the 2029 biennium. This was calculated by applying inflation (CPI) to all personal services. CPI is projected to be 1.7% in FY 2028 and 1.9% in FY 2029

Health Insurance

Based upon actuarial analyses of the state and Montana University System (MUS) health insurance plans, expenditures are projected to outpace revenues, and the fund balance is anticipated to be below actuarially recommend reserve levels. There will likely need to be an increase in revenues, either paid by the state or employees, to ensure that the self-funded health insurance plan has adequate reserves to cover expenses.

The Legislative Fiscal Division conducted an analysis to determine the amount of revenue needed to stop a deficit from increasing, with the proportion of state share versus employee contributions remaining constant. The present law adjustments for all state agencies and the MUS include a low trend of expenditures, which is based off a 10-year average of actual expenses. The average increase in actual expenses year-over-year was 4.3% for the state plan and 7.6% for the MUS plan. The present law adjustment totals $49.4 million over the 2029 biennium.

Retirement Contributions

HB 924 (2025 Legislative Session) increases retirement contributions by 0.1% starting in FY 2028. This increase was applied to personal services on a statewide basis and totals $2.3 million general fund over the 2029 biennium.

Inflation on Operating Costs

All equipment and intangible assets were modified statewide using inflation (CPI) adjusted for population. This totals $32.3 million general fund over the 2029 biennium. Other expense categories were adjusted on a case-by-case basis at the agency level.

Department of Public Health and Human Services

The estimated general fund increases in present law for DPHHS total $211.1 million for the 2029 biennium. The majority of the changes for DPHHS are within the areas of Medicaid, the Supplemental Nutrition Assistance Program (SNAP), and facilities. The most significant general fund changes in these areas include:

- Medicaid
    - $63.9 million for traditional and expanded Medicaid caseload adjustments
    - $54.4 million for adjustments related to the federal match rate for state dollars spent on Medicaid (FMAP) in Montana
- SNAP
    - $35.4 million for changes included in H.R. 1 related to the cost share of benefits for the SNAP payment error rate
    - $12.9 million for changes included in H.R. 1 related to the administration of SNAP
- Facilities
    - $34.9 million for contract labor due to staffing shortages at the Montana State Hospital

Office of Public Instruction

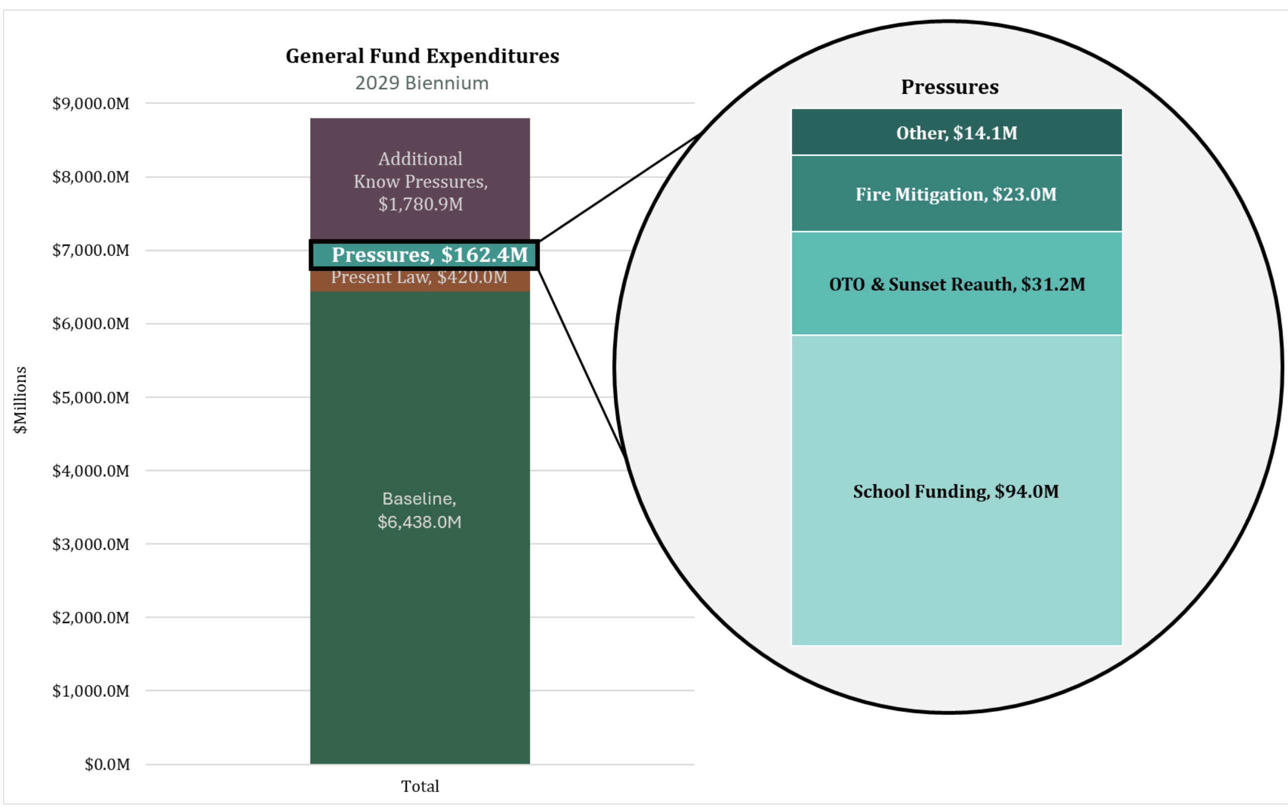
The general fund present law adjustments, excluding statewide adjustments, are estimated to be $50.0 million for the Office of Public Instruction (OPI) for the 2029 biennium. The largest present law increase in school funding occurs in the Base Amount for School Equity (BASE) Aid payment from the state to school districts. Statute requires that certain components of school funding include a present law adjustment for BASE Aid inflation in the superintendent's budget request (20-9-326, MCA). Anticipated inflationary increases in the 2029 biennium are 2.93% in FY 2028 and 3.0% in FY 2029, based on the S&P Global forecast from May 2026.

Pressures from Items Traditionally Funded by the Legislature

Pressures include factors that are not within the statutory definition of present law and are not included in the present law estimate but are within the current level of service provided by the state and the legislature will likely be under pressure to fund. Pressures follow the statutory definition of new proposals in 17-7-102(11), MCA, and the 2029 biennium outlook generally includes:

- Items that were funded by the previous legislature as one-time-only but there may be pressure to continue to fund these items in the next legislative session
- Statutory appropriations that sunset but have been funded for several past biennia
- Potential areas of additional funding discussed by legislative commissions and/or committees
- Staffing shortages related to service provided by agencies

General fund pressure from the items that are traditionally funded by the legislature total $162.4 million in the 2029 biennium. The majority of the growth is due to the Office of Public Instruction, fire mitigation, and the reauthorization of specific one-time-only appropriations and statutory appropriations that sunset. The following sections summarize those areas.



Office of Public Instruction

The adjustments in OPI for pressures that are traditionally funded by the legislature are estimated to be $103.4 million for the 2029 biennium. This is primarily comprised of a lower-limit estimate of funding increases that could result from the School Funding Interim Commission's decennial study of school funding.

The School Funding Interim Commission is currently conducting the decennial study of the school funding formula, which will conclude by September 1, 2026. Ongoing discussions by the commission have focused on several key areas: school facilities; alternative methods of calculating inflationary adjustments; student population characteristics including economically disadvantaged students, English language learners, Native American students, and special education students; the special education disproportionate cost payment; simplification of the existing funding formula; and an adequacy study of Montana's current funding formula conducted by Augenblick, Palaich, and Associates (APA Consulting). While the commission's final report is not complete, potential recommendations from the commission could result in funding changes to address the topics of interest above, with an estimated funding pressure of $94.0 million over the 2029 biennium. This increase represents an increase of approximately 4.1% per year over the FY 2027 BASE Aid appropriation, which is above the three-year average of CPI used to calculate the superintendent's budget request (2.93% and 3.37% per year, respectively; then capped at 3.0%) but below projected wage growth (5.33% and 4.75% per year, respectively).

Fire Mitigation

Mitigation costs are included as a pressure and are estimated to be $23.0 million in the 2029 biennium. Statutory authority is provided for mitigation if the fire suppression fund ending balance exceeds 3.0% of general revenue appropriations. The trigger was not met for mitigation statutory authority in the 2027 biennium, so this is included as a pressure in the outlook.

Reauthorization of One-Time-Only and Statutory Appropriations

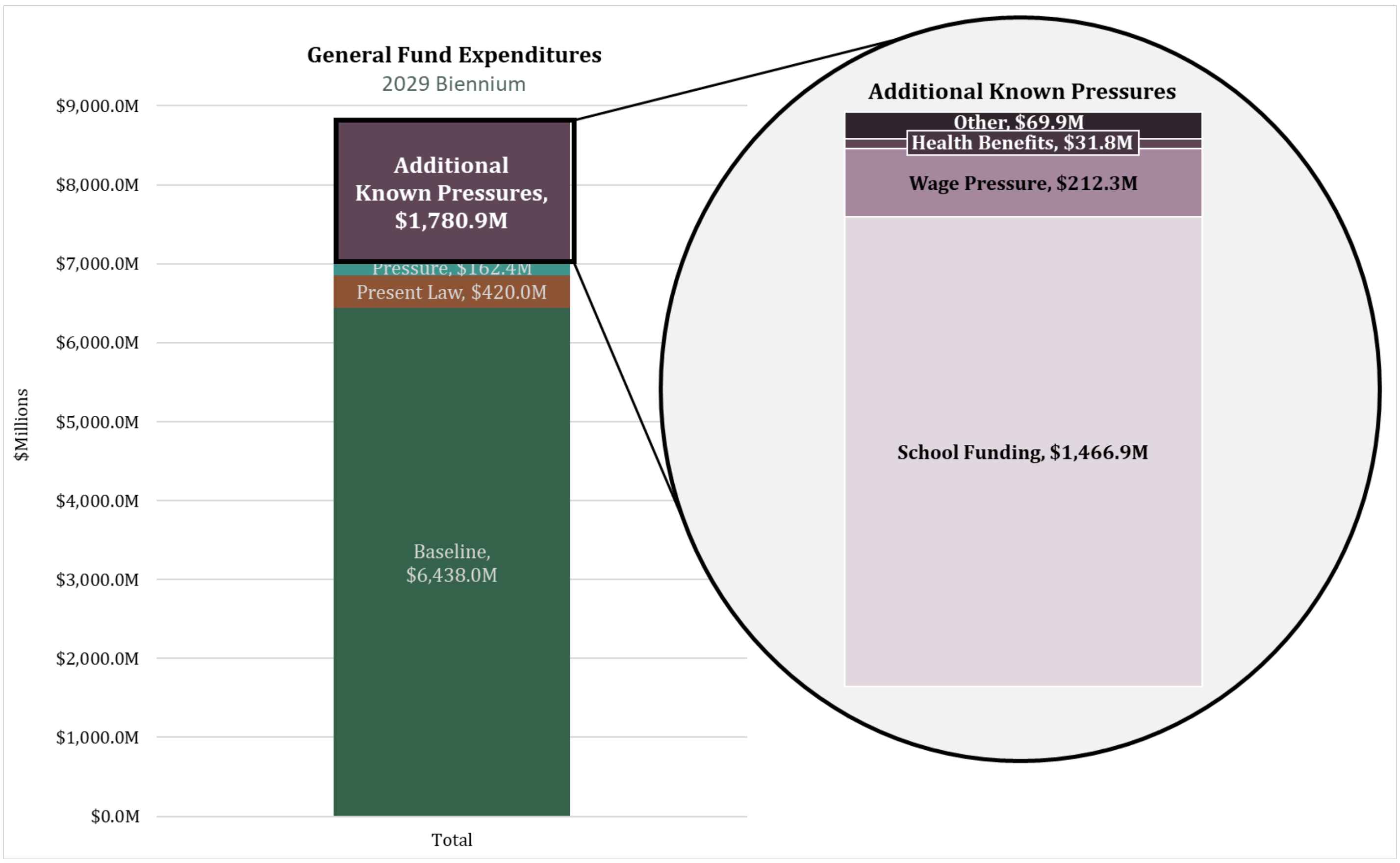
One-time-only appropriations that have either been funded for several biennia or have federal mandates associated with them as well as statutory appropriations that have been funded for several biennia are included as pressures that are typically funded by the legislature. Overall, these total $31.2 million and significant changes include:

- $8.0 million in the Department of Military Affairs for the local disaster and resiliency fund, which is used for state and local mitigation projects, nonfederal cost share for personnel performing mitigation projects, and matching funds for grants to purchase hazard material equipment and training (17-7-133, MCA)
- $6.8 million in the Office of the Public Defender for paying contracted attorneys, which was funded as one-time-only in the 2025 Legislative Session
- $6.7 million in the Department of Agriculture and Department of Commerce for agricultural and economic development programs included in 15-35-108(12), MCA, that are funded from interest income earned from the coal severance tax fund that is deposited into the general fund

- $5.4 million in the Office of Public Instruction for the potential reauthorization of the transformational learning grants
- $2.0 million in the Office of the Public Defender for a new data system and AI development, licensing costs, and to adopt consistent computer replacement schedules, which were funded as one-time-only in the 2025 Legislative Session

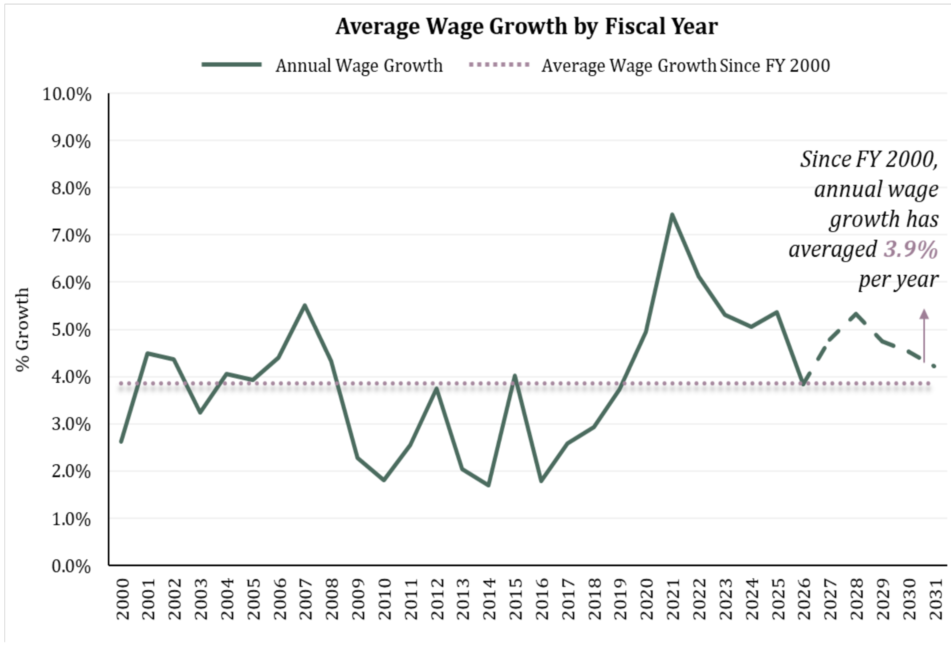
Additional Known Pressures

Along with the pressures that are traditionally funded by the legislature, there are known additional pressures primarily for wage inflation or expansion of current services that the legislature may experience pressure to address. Additional known pressures for expenditures total $1,780.9 million in the 2029 biennium. Additional details are included in the following sections.



Wage Inflation

Wage inflation can create pressure on state agencies with regards to compensation, and influence state agencies in two primary ways: (1) the ability to recruit and retain state employees, and (2) the ability to recruit and retain providers and contractors for services provided by agencies. Growth rates for wage inflation through the outlook period, as well as historical growth, are shown in the figure above. This additional known pressure was calculated using forecasted average annual wages in Montana from S&P Global. In the 2029 biennium, wage inflation pressure is estimated to be $212.3 million.



Whether this is a higher level of pressure or lower level of pressure could depend, in part, on the level of inflation experienced as the legislature begins the 2027 session. If inflation is higher or lower than what is included in the Outlook, there may be a higher or lower level of wage inflation pressure experienced.

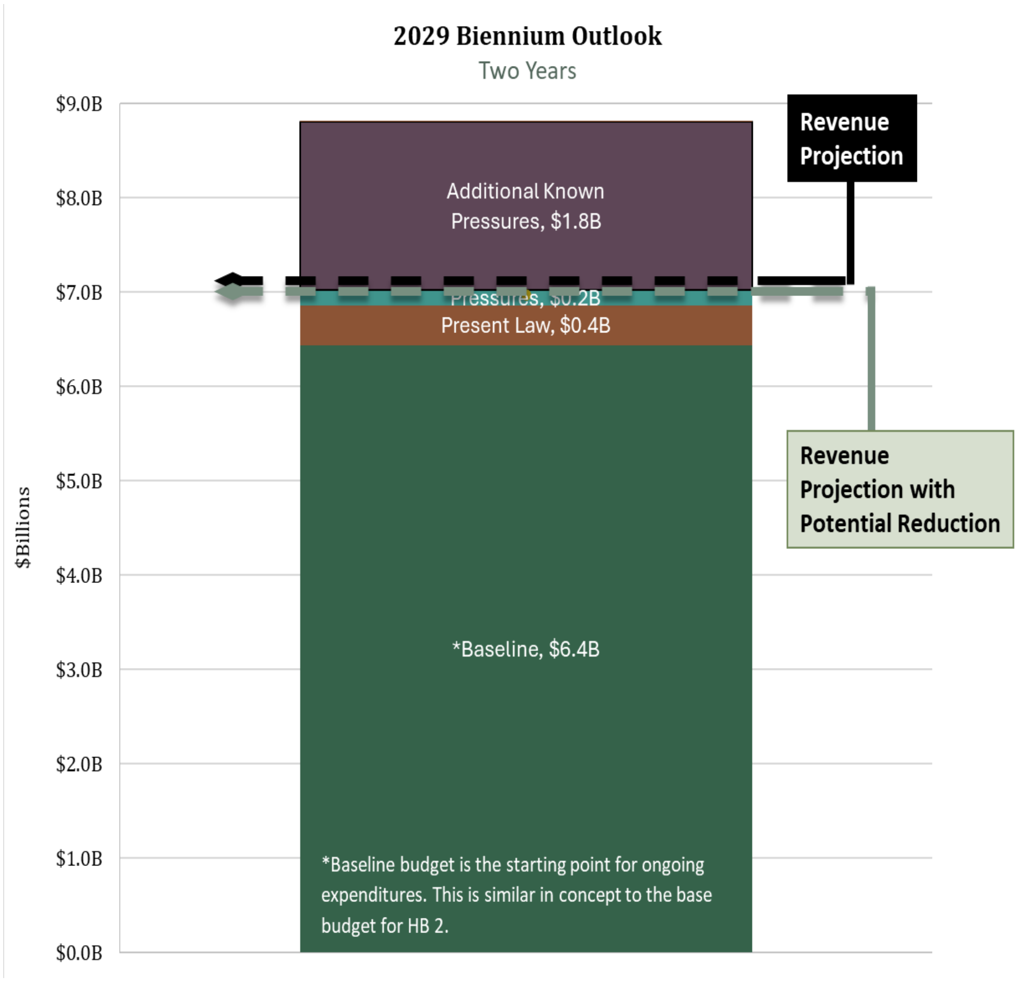
Expansion of Current Services

The known pressures related to the expansion of current services total $1,568.6 million and are primarily comprised of:

- $1,466.9 million over the 2029 biennium related to the Coalition of Advocates for Montana's Public Schools (CAMPS) school funding proposal presented to the School Funding Interim Commission in April 2026. Additionally, the commission has requested information from APA Consulting on funding formula options for a weighted student formula to be presented at the July commission meeting. While additional pressures from a weighted student formula proposal are unknown at this time, these additional pressures would be an alternative to the CAMPS proposal, not an additional level of funding
- $43.5 million for phase II of the public safety radio system. Of this total, $40.0 million is for the infrastructure for the system and the remaining amount is for the operations
- $31.8 million for health insurance benefits, which is an additional pressure above what is included in present law and was calculated using the high-trend scenario from the actuarial analysis for the state and Montana University System (MUS) health insurance plans

2029 BIENNIUM STRUCTURAL BALANCE

Structural balance, the relationship between ongoing revenues and ongoing expenditures, is a key measure of fiscal stability. In recent years, strong revenue growth contributed to historically high structural surpluses. The most recent legislative session saw revenues and expenditures come closer together and the structural position is expected to return to levels closer to those seen prior to the pandemic period. These conditions are projected to carry forward into the 2029 biennium, as shown in the adjacent bar chart.



1. Given current expectations the 2029 biennium would be structurally balanced with Present Law and Pressures levels of spending
2. Ongoing general fund revenues are projected at $7,115.4 million. This drops to a projected $6,974.8 million if a single income tax rate of 4.7% is adopted, decreasing revenues by about $140 million. This moves the structural balance point into the Pressures level of spending.

Overall, ongoing revenues remain solid heading into the 2029 biennium; however, present law obligations as defined, emerging pressures, and substantial potential additional known pressures (all discussed in above sections) could meaningfully narrow the state's structural margin. The same is true with the roughly $140 million pressure on revenue from potential income tax reductions. Montana will likely enter the 2029 biennium largely structurally balanced but with a tightening margin compared to recent sessions.

Risks for the 2029 Biennium

As always, the finances of the state face both upside and downside risks. Below are identified risks, ranging from upside to downside potential, that are not captured in the 2029 Outlook values. Risks include potential changes to the budget that the legislature has less control over and may be related to both expenditures and revenues.

SNAP Benefits HR 1 (Downside)

The largest change for SNAP in federal HR 1 (2025) is the federally mandated state cost-share for SNAP benefits, which is based on Montana's SNAP payment error rate from three years prior—higher error rates result in higher state obligations. Depending on the error rate, the state match in FY 2028 could range from no obligation to as much as $26.3 million. Current projections assume a 10.0% error rate, or an obligation of about $17.7 million per year, but if the error rate rises between 10.0% and 15.0%, the state would face an additional $8.8 million annually. Historically, Montana's error rate has generally been below 10%, reaching a high of 10.0% in FY 2022 and a low of 6.0% in FY 2023.

Declining Highway State Special Revenue Account Balance (Downside)

The Highway State Special Revenue Account (HSSRA) is funded by flat per-gallon fuel taxes that do not rise with inflation, while federal transportation match requirements grow about 2.1% per year. As vehicles become more fuel-efficient, collections remain flat and the share available for MDT maintenance and operations shrinks. Because HSSRA must front state and federal project costs before reimbursement, it requires a strong fund balance, which is projected to be insufficient to provide the full federal match and maintain current service levels as soon as the 2029 biennium.

Revenues Fall Below Estimate Due to Economic Downturn (Downside)

Legislative Fiscal Division staff use econometric data from S&P Global to produce both expenditure and revenue forecasts. These forecasted variables include but are not limited to Consumer Price Index (CPI), Montana wage disbursements, Montana population, unemployment rates, stock market performance, oil prices, interest rates, and many more. Significant departures from the econometric estimates can result in revenue collections falling short of adopted estimates. This risk is present in each biennium but currently S&P Global does not forecast a national recession, even in their pessimistic forecast.

High Oil Prices Persist Throughout Outlook Period (Upside)

While sustained high energy prices can increase inflation and put pressure on state expenditures, high oil prices result in increased oil severance and royalty collections. If oil prices beyond FY 2027 remain where they are as of mid-June 2026, oil severance tax collections that are deposited into the general fund could be $30 million to $40 million higher on an annual basis than what is assumed in the Outlook's baseline forecast. Furthermore, increased royalty payments and corporate income tax liabilities would also be expected from the increased extraction and refining activity.

High-Income Individuals Declare Residency in Montana (Upside)

As various states, including Montana, continue to change their respective income and property tax policies, it is possible that some individuals may choose to become full-year residents in Montana to minimize their overall tax liability. Quantifying how much tax policy influences behavior is consistently up for debate, but on a case-by-case basis there are likely scenarios where it plays a role. If high-income individuals declare residency in the state, this could provide upside risk to individual income tax revenues.

Lawsuit on Property Tax Legislation (Neutral to Budget)

The current lawsuit regarding the property tax legislation from the 2025 Session has the potential to adjust the revenue mix and could require legislative action. However, the immediate risk to the budget is limited as the taxpayer impact would vary while the state revenue would not be expected to change significantly.

Risks Related to Aging Populations and Other Demographics (Downside)

In addition to monitoring population growth, the LFD has published a series of detailed reports on Montana's population demographics. Multiple demographic risks are identified in this report, namely an aging population, low natural population growth, and slowing in-migration. These trends, along with others, will impact the state's future workforce, tax base, and service demands. The entire can be found in the Appendix.

Pensions (Higher Interest Rates Reduce Liabilities & Risk)

At the end of FY 2025, Montana's nine defined benefit pension plans all had amortization periods under 25 years. In addition to amortization periods, the funded ratio for the past two fiscal years for all plans is shown in the table below. For all plans, the assumed rate of return was 7.30%.

Montana Pension Systems Actuarial Valuations

	2025	2024	Amortization Period 2025	Amortization Period 2024
Teachers' Retirement System (TRS)	73%	74%	21	21
Public Employees' Retirement System (PERS)	74%	76%	23	27
Judges' Retirement System	184%	183%	0	0
Highway Patrol Officers' Retirement System	76%	78%	22	22
Sheriffs' Retirement	82%	83%	17	17
Game Wardens' Retirement System	92%	94%	16	12
Municipal Police Officers	75%	75%	18	18
Firefighters' Unified Retiremenet System	84%	85%	8	8
Volunteer Firefighters	101%	107%	0	0

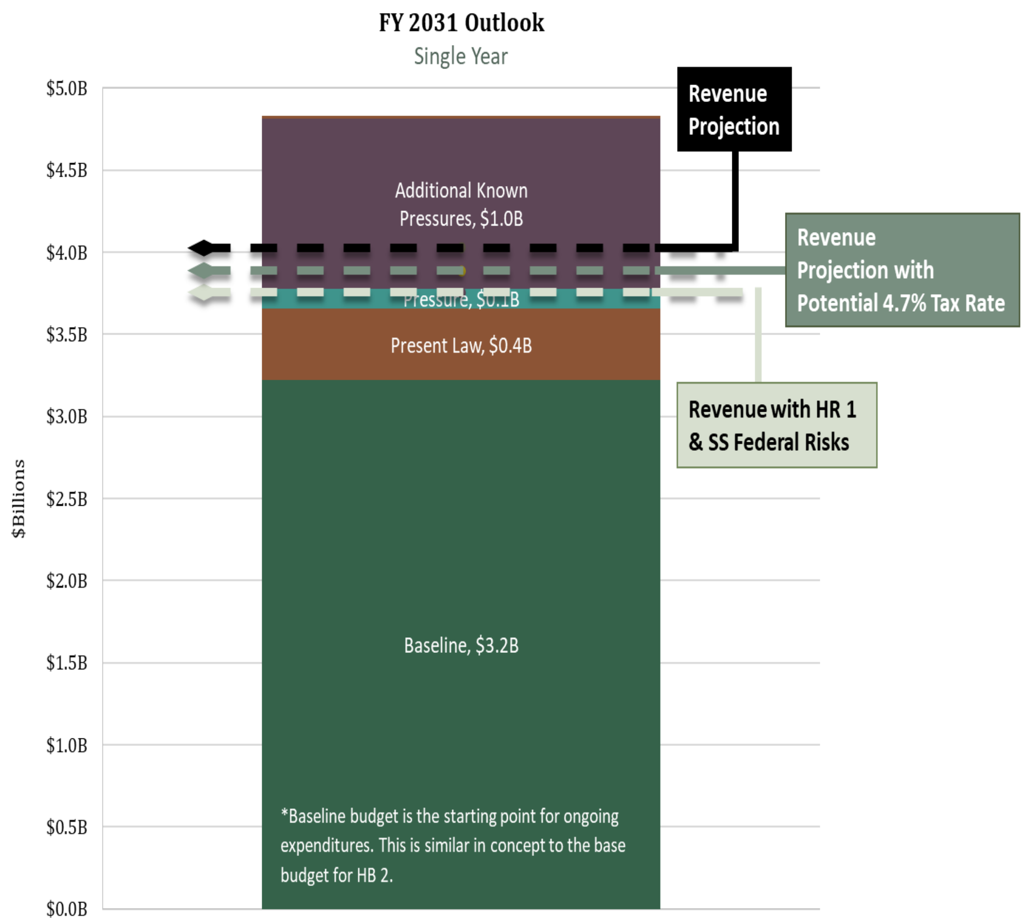
In the upcoming Outlook period, there are many provisions and financial conditions that strengthen the overall health of the pension plans. First, due to HB 924 from the 2025 Session, employer contributions for both TRS and PERS are scheduled to increase 0.1% per year starting in FY 2028 and lasting through FY 2047. Furthermore, HB 924 transferred $335 million into the pension portion of the GO Trust. A portion of these funds can be transferred to the TRS or PERS trusts if rate of return assumptions are not met.

Finally, for the last few years higher interest rates have persisted, compared to what was experienced through the 2010's. When interest rates are higher, the present value of a plan's liabilities decrease, which improves the funding status. Furthermore, higher interest rates can also make it easier for a defined benefit plan to meet its assumed rate of return.

FY 2031 ANALYSIS

Montana's long-term fiscal outlook for FY 2031 highlights several emerging risks and pressures. The exact timing of some of these issues is not fully known, but 2031 as the out-year in this analysis is being used to represent these potentially upcoming risks that would likely increase ongoing general fund commitments and reduce available structural capacity. The following items represent the most material risks currently identified across both expenditures and revenues representing considerations for long-term fiscal planning.

1. The revenue side of the ledger is the bigger question in FY 2031. Two federal risks, the continuation of the H.R.1 tax cuts and the potential depletion of the Social Security trust, pose meaningful downward pressure. Both are discussed below.
2. The chart shows the revenue scenarios with the black dashed line representing outlook projections, the dark grey hashed line is the outlook projections with a 4.7% flat income tax rate, and the light grey hashed line represents the additional move from the dark grey line due to H.R.1 and Social Security risks.



3. There are two known expenditure risks beyond what is included in the 2029 biennium that have been added to the expenditure bar chart as the sliver of brown at the top. Those include the offender population and a portion of the BHSFG money, both described below.

Additional Risks and Pressures for FY 2031

Outlined below are the primary out-year risks and pressures quantified in the FY 2031 chart, including all items shown above. Unquantified risks discussed in the 2029 biennium section also remain relevant here.

Federal Individual Income Tax Policy Changes (Downside)

Federal changes to individual income tax policy under H.R. 1 are projected to reduce Montana's individual income tax collections by an estimated $115 million through FY 2029, after which multiple provisions are scheduled to sunset. Because the Outlook baseline assumes present law and therefore includes the scheduled sunset, no reductions beyond FY 2029 are built into the forecast. However, if H.R. 1 provisions were extended, Montana's individual income tax revenue would decrease by roughly $83 million per year, including in FY 2031, representing out-year revenue risk.

Prorate Social Security Benefits (Downside)

In the Congressional Budget Office's (CBO) Budget and Economic Outlook: 2026 to 2036, it is assumed that the balance of the Old-Age and Survivors Insurance (OASI) Trust Fund reaches zero in federal fiscal year 2032. There are other forecasts from other organizations that assume it may be depleted slightly sooner than that. Under current law, when the trust is depleted, Social Security outlays must match the revenues (payroll taxes) coming into the system. Since revenues coming into the system are lower than the scheduled outlays, the CBO projects that an average reduction in benefits of 28% would be required. If this happens it is estimated that Montana's individual income tax collections would decrease by approximately $45 million per year.

BHSFG Funding Shift (Downside)

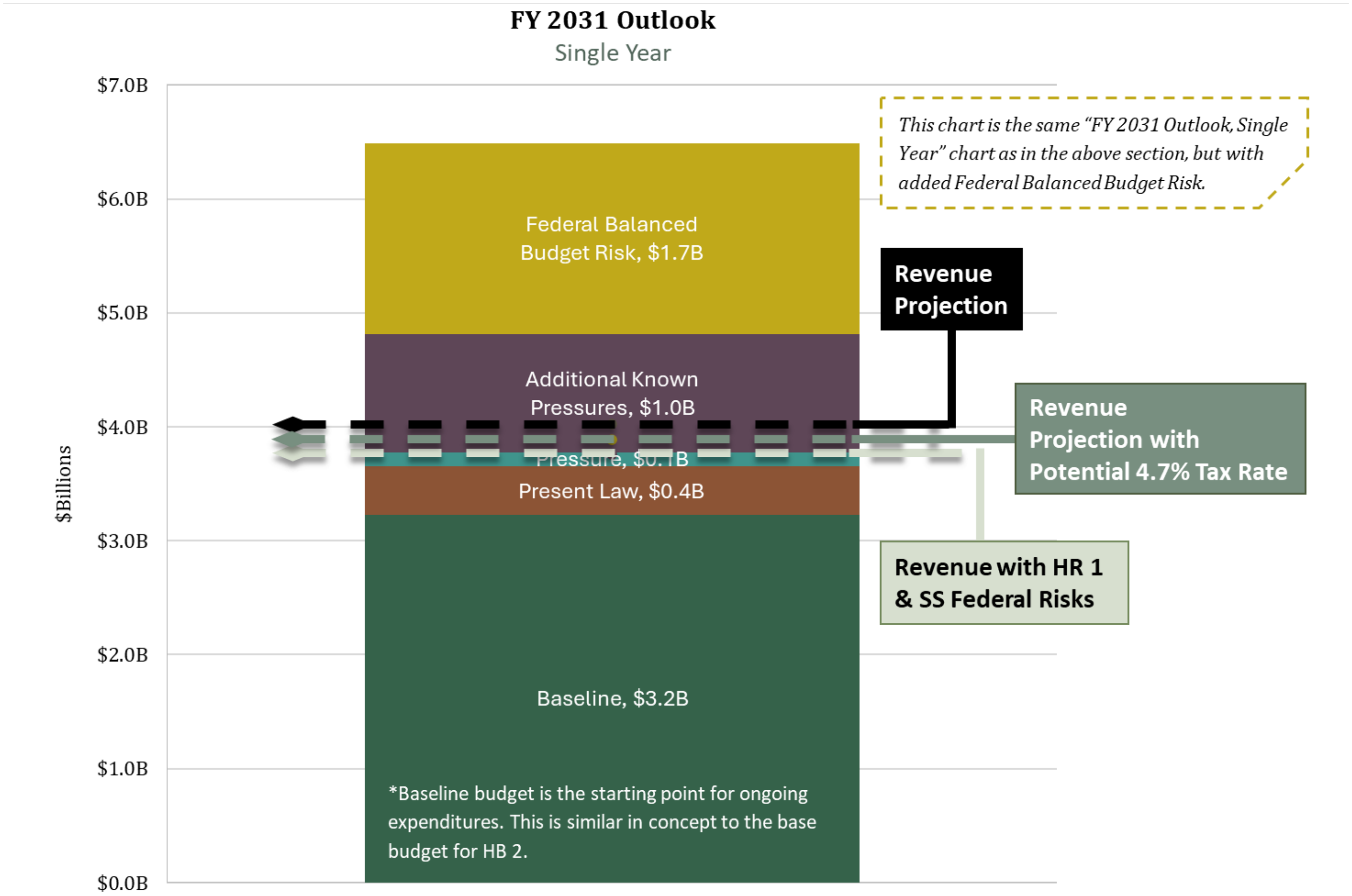
The Behavioral Health Systems for Future Generations (BHSFG) state special revenue fund is expected to be depleted by FY 2031. Current projections estimate that approximately $34.6 million in costs will shift to the general fund beginning in FY 2031, primarily for continued implementation of BHSFG recommendations and facility operations.

Offender Population (Downside)

The Department of Corrections is expanding capacity through construction authorized in the 2023 and 2025 sessions, with new beds expected by FY 2031. If this capacity comes online as planned, offenders currently housed out-of-state could be returned to Montana. However, if offender populations continue to grow or if the full 900 beds are not realized, out-of-state placements may still be needed beyond FY 2031. In that scenario, maintaining higher-cost out-of-state housing could require about $7 million in additional funding.

FY 2031 HYPOTHETICAL FEDERAL BALANCED BUDGET

Concerns about the growing federal deficit have continued interest in understanding how a federal budget balancing effort could affect Montana's finances. While the federal government has not enacted a fully balanced budget in decades, Montana receives substantial federal funding across many functional areas of state government. Shown in the chart below is the scale of budgetary pressure Montana could face in FY 2031 by calculating how much federal funding the state might lose if the federal government fully balanced its budget. This scenario is speculative but highlights the scale of potential exposure and federal risk considerations for long-term planning.



1. Applying this approach results in an estimated $1.7 billion general fund-equivalent reduction in federal support in FY 2031. This represents a 44% increase above Outlook-projected spending levels (baseline + present law + pressures) if the legislature were to backfill the entire reduction.
2. This scenario is highly speculative; it is an exercise, not a forecast. It depends on assumptions about federal policy choices, proportional reductions, and state backfill decisions that may not occur. Its purpose is to show the scale of potential exposure if federal deficit reduction were pursued abruptly.

Methodology

The non-partisan Congressional Budget Office reported that the federal deficit was $1.8 trillion in FFY 2025. Using information provided in this report, the federal government would need to decrease spending by 34.6%, if it were to pass a balanced budget. For the Outlook, it was assumed that Montana would experience proportional reductions to its federal funding equal to the percentage reduction needed to eliminate that imbalance. This proportional reduction was applied to actual FY 2025 expenditures from federal funds (less Covid-19 funds), using the state resources definition found in 17-7-150, MCA. The FY 2025 impact was then inflated to FY 2031 using the Outlook's combined CPI and population growth factors. This approach provides a high-level estimate of the potential exposure to the general fund should the federal government undertake a large-scale deficit-reduction action.

Tools for Managing Risk

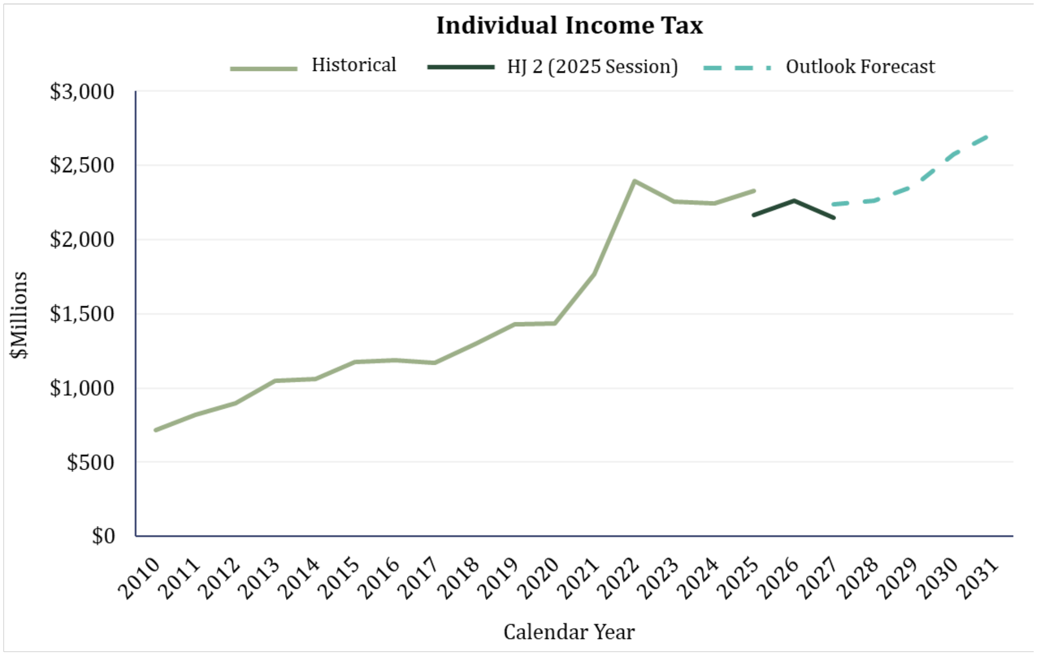
Due in part to the risks outlined above and other risks not yet identified, Montana has multiple tools, including reserve funds, to deal with unanticipated budgetary shocks.

APPENDIX

Detailed Revenue Source Information

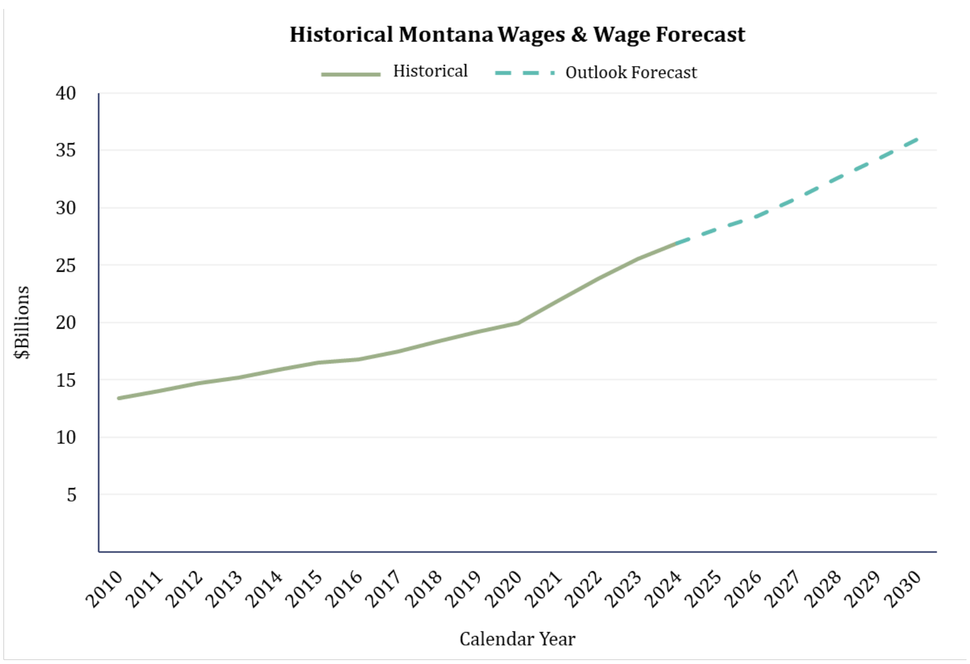
Individual Income Tax

The main driver of revenues moving forward is individual income tax collections, which made up over 67% of general fund revenues in FY 2025. The graph below shows historical collections, the HJ 2 estimate adopted during the 2025 Session, and finally the forecast for the outlook period.



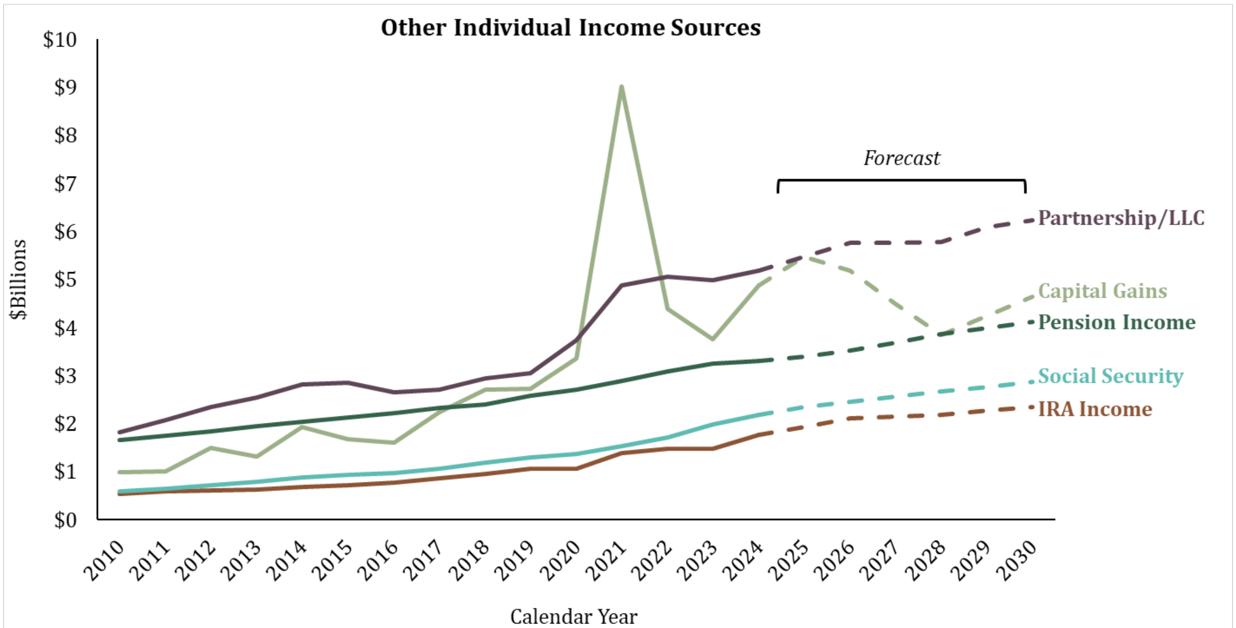
As the figure above shows, individual income tax collections in FY 2025 were above HJ 2 by approximately $160 million, and it appears that FY 2026 may see a similar increase. Individual income tax collections are anticipated to remain relatively flat through FY 2028, as HB 337 takes full effect. Then, it grows more rapidly in the 2031 biennium as there are no additional scheduled reductions and HR 1 sunsets.

The largest source of income in individual income taxes is wages. At this point, calendar year data is available through CY 2024. In CY 2024, wages made up 55% of total income claimed on state tax returns. Inflation, along with strong population growth, caused wages to grow rapidly in CY 2021 through CY 2023 and growth returned to pre-pandemic rates in CY 2024. In the Outlook period, wages are expected to grow by approximately 5.0% per



year, which is higher than the average from the 2011-2020 decade when growth averaged 4.1% per year.

While wages are the largest source of income in individual income taxes, their share has been dropping as other sources have grown faster than wages. The graph below shows the remaining income sources and their forecasts that make up most of the income claimed on state income tax returns.



Whereas IRA income, taxable pensions, and taxable social security income are relatively stable income sources, rental, partnership, and LLC income along with capital gains income are quite volatile. Unlike wages, the volatile nature of some of the sources above make them very difficult to forecast.

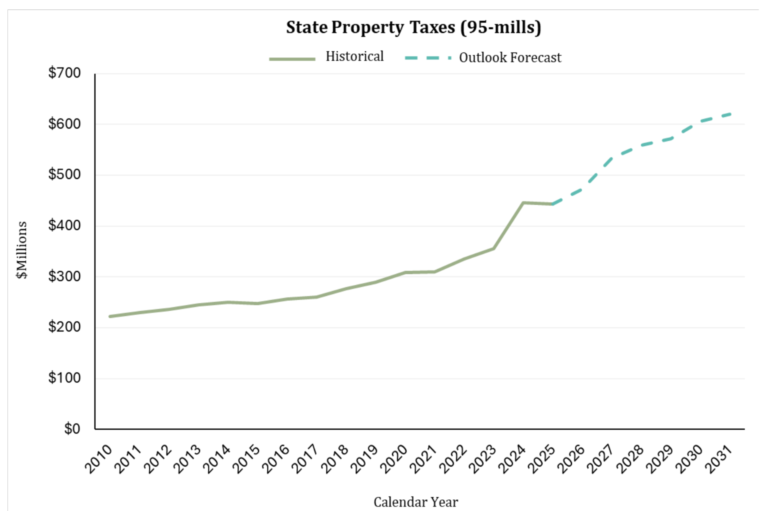
Corporate Income Tax

Montana also has a corporate income tax. Individual and corporate income taxes combined made up 77% of total general fund revenues in FY 2025. Like many sources, corporate income tax saw extremely strong growth in FY 2021 through FY 2023. Collections were above HJ 2 in FY 2025 but are expected to be below HJ 2 in FY 2026. Moving into the outlook period growth is expected to be muted or lacking, but this is an extremely volatile source, so it is not

unexpected if collections are noticeably higher or lower than the forecast. The forecasts of the major corporate tax liabilities by sector are shown in the figure below.

Remaining Large Sources

The remaining large sources that make up the state's general fund are vehicle taxes and fees, insurance taxes, oil and natural gas taxes, and gambling taxes. In addition to these large sources, the state also collects property taxes that are deposited into the School Equalization and Property Tax Reduction (SEPTR) state special account. The figure to the right shows the history and forecast of the 95 mills that the state collects.



Finally, vehicle taxes and fees, video gaming taxes, and insurance taxes are forecast to continue to follow growth rates from past years. However, oil and natural gas taxes are expected to rise through FY 2027 before declining in FY 2028 and FY 2029.