



GOVERNOR'S OFFICE OF
BUDGET AND PROGRAM PLANNING

Fiscal Note 2027 Biennium

Bill#/Title: HB0013.02: State Employee Pay Plan

Primary Sponsor: John Fitzpatrick Status: As Amended in House Committee

Included in the Executive Budget Needs to be included in HB 2 Significant Local Gov Impact

Significant Long-Term Impacts Technical Concerns Dedicated Revenue Form Attached

FISCAL SUMMARY

	<u>FY 2026</u> <u>Difference</u>	<u>FY 2027</u> <u>Difference</u>	<u>FY 2028</u> <u>Difference</u>	<u>FY 2029</u> <u>Difference</u>
Expenditures				
General Fund (01)	\$25,808,506	\$52,689,866	\$55,299,385	\$56,185,441
State Special Revenue (02)	\$11,792,789	\$24,158,586	\$24,674,363	\$24,674,363
Federal Special Revenue (03)	\$6,909,127	\$14,146,067	\$14,431,105	\$14,431,105
Other	\$253,980	\$521,634	\$534,967	\$534,967
Revenues				
General Fund (01)	\$0	\$0	\$0	\$0
State Special Revenue (02)	\$0	\$0	\$0	\$0
Federal Special Revenue (03)	\$0	\$0	\$0	\$0
Other	\$0	\$0	\$0	\$0
MUS Employee Health Plan	\$1,500,000	\$3,100,000	\$3,100,000	\$3,100,000
State Employee Health Plan	\$2,000,000	\$6,100,000	\$8,200,000	\$8,200,000
Net Impact	<u>(\$25,808,506)</u>	<u>(\$52,689,866)</u>	<u>(\$55,299,385)</u>	<u>(\$56,185,441)</u>
General Fund Balance				

Description of fiscal impact

HB 13 provides for across-the-board pay increases in FY 2026 and FY 2027 of \$1.00 per hour or 2.5% (whichever is greater) for state and university system employees effective the pay period including July 1, 2025 (FY 2026) and July 1, 2026 (FY 2027). HB 13 ties the meal per diem rate for employees in in-state travel status to the federal reimbursement rate. The bill provides for an increase in the employer contribution for health insurance in both the state employee plan and the university system employee plan. The bill ties the hourly rate for legislators to the average wage in Montana beginning in the 2027 Legislative Session. Finally, the bill provides for personal services contingency funds allocated to the Office of Budget and Program Planning to be distributed to agencies when the agencies cannot meet their vacancy savings amount or have leave payouts that cannot be covered by existing budgets within state agencies.

FISCAL ANALYSIS

Assumptions

- Effective on the pay period that includes July 1, 2025 (FY 2026), HB 13 provides for a \$1.00 per hour or 2.5% pay increase (whichever is greater). The cost of this pay increase is \$41.5 million (all funds) in each year of the biennium.

2. Effective on the pay period that includes July 1, 2026 (FY 2027), HB 13 provides for a \$1.00 per hour or 2.5% pay increase (whichever is greater). The cost of this pay increase is \$41.7 million (all funds) in FY 2027.
3. The meal per diem rate for in-state meals while employees are in travel status is tied to 70% of the federal rate. The cost of the increased meal per diem is \$381,432 per year (all funds).
4. HB 13 increases the employer contribution for health insurance for the state employee plan and the university system employee plan by \$26 per month beginning January 1, 2026 and \$27 per month beginning January 1, 2027. Costs of the increase for both health plans are \$2.9 million (all funds) in FY 2026 and \$7.9 million (all funds) in FY 2027. Revenue into the state employee plan will be approximately \$2 million in FY 2026, \$6.1 million in FY 2027, and \$8.2 million in FY 2028 and beyond. Revenue into the university system plan will be \$1.5 million in FY 2026 and \$3.1 million in FY 2027. MUS revenue is generated from a combination of state funding and tuition funding.
5. Funding has historically been included in HB 13 to provide personal services contingency funds. The appropriation goes to the Office of Budget and Program Planning (OBPP). When an agency experiences a budget shortfall related to personal services, typically related to employee leave payouts upon retirement or separation from service or the agency does not achieve the vacancy savings rate assessed in HB 2, the agency can apply to OBPP to receive an allocation of funds. If funds are not allocated, the funds revert to the general fund or applicable funding source.
6. Section 5 of the bill provides funding for the labor-management training initiative.
7. Section 4 of HB 13 increases legislator salary to 80% times the average hourly wage for the State of Montana for the 2027 Legislature and to 100% of the average hourly wage for the State of Montana for the 2029 Legislature. The cost of the increase is \$1,377,343 in FY 2027 and \$2,263,399 in FY 2029. These appropriations are not included in HB 13 as they will be included in HB 1 preceding each legislative session.


Fiscal Analysis Table

	FY 2026 Difference	FY 2027 Difference	FY 2028 Difference	FY 2029 Difference
<u>Fiscal Impact</u>				
<u>Expenditures</u>				
Personal Services	\$44,382,970	\$91,134,721	\$94,558,388	\$95,444,444
Operating Expenses	\$381,432	\$381,432	\$381,432	\$381,432
TOTAL Expenditures	\$44,764,402	\$91,516,153	\$94,939,820	\$95,825,876
<u>Funding of Expenditures</u>				
General Fund (01)	\$25,808,506	\$52,689,866	\$55,299,385	\$56,185,441
State Special Revenue (02)	\$11,792,789	\$24,158,586	\$24,674,363	\$24,674,363
Federal Special Revenue (03)	\$6,909,127	\$14,146,067	\$14,431,105	\$14,431,105
Other	\$253,980	\$521,634	\$534,967	\$534,967
TOTAL Funding of Expenditures	\$44,764,402	\$91,516,153	\$94,939,820	\$95,825,876
<u>Revenues</u>				
Other	\$0	\$0	\$0	\$0
State Employee Health Plan	\$2,000,000	\$6,100,000	\$8,200,000	\$8,200,000
MUS Employee Health Plan	\$1,500,000	\$3,100,000	\$3,100,000	\$3,100,000
TOTAL Revenues	\$3,500,000	\$9,200,000	\$11,300,000	\$11,300,000
<u>Net Impact to Fund Balance (Revenue minus Funding of Expenditures)</u>				
General Fund (01)	(\$25,808,506)	(\$52,689,866)	(\$55,299,385)	(\$56,185,441)
State Special Revenue (02)	(\$11,792,789)	(\$24,158,586)	(\$24,674,363)	(\$24,674,363)
Federal Special Revenue (03)	(\$6,909,127)	(\$14,146,067)	(\$14,431,105)	(\$14,431,105)


Fiscal Note Request - As Amended in House Committee

(continued)

Other	(\$253,980)	(\$521,634)	(\$534,967)	(\$534,967)
State Employee Health Plan	\$2,000,000	\$6,100,000	\$8,200,000	\$8,200,000
MUS Employee Health Plan	<u>\$1,500,000</u>	<u>\$3,100,000</u>	<u>\$3,100,000</u>	<u>\$3,100,000</u>



Sponsor's Initials



Date



Budget Director's Initials

2/21/2025

Date