

OFFICE OF THE GOVERNOR
STATE OF MONTANA

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GOVERNOR



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LT. GOVERNOR

June 20, 2025

The Honorable Brandon Ler
Speaker of the House
State Capitol
Helena, MT 59620

The Honorable Matt Regier
President of the Senate
State Capitol
Helena, MT 59620

Dear Speaker Ler and President Regier:

Montana taxpayers work hard for what they earn, and they expect us to be good stewards of the taxes they pay to fund state government, protecting them from unnecessary spending. They've been at the front of my mind when considering measures the Legislature passed and sent to me. They're at the front of my mind again as I consider the budget, House Bill 2.

Our Montana Constitution requires us to balance our budget. In 2021 and 2023, we worked together to deliver balanced budgets that not only were fiscally responsible, but also allowed us to seize the opportunity to let hardworking Montanans keep more of what they earn. The budget proposal in November was fiscally conservative, keeping spending below inflation and putting Montana taxpayers first.

I appreciate the diligent, deliberative efforts of the hardworking members of the House Appropriations Committee and the Senate Finance and Claims Committee who carefully reviewed and considered the budget. Because of their efforts, House Bill 2 largely makes prudent, necessary investments that benefit Montana.

The budget I received from the Legislature wasn't as fiscally responsible as the one I proposed. I recognize and appreciate that our constitutional system provides the Legislature with the power of the purse. Our Constitution makes clear the Legislature has the prerogative and authority to pass laws that make policy and/or spend taxpayer money. Our Constitution and the laws of our state also provide the governor a veto power, including a line-item veto. I exercise that power today with the budget, House Bill 2, saving Montana taxpayers nearly \$31 million over the next two years.

As I have done with other hefty spending bills the Legislature passed, I have keenly reviewed the budget, and made some difficult decisions. While the budget the Legislature passed is balanced, it includes unnecessary spending. Therefore, I return House Bill 2 with my signature, but with line-item reductions to protect Montana taxpayers and their hard-earned resources.

In accordance with the power vested in me as Governor by the Constitution and the laws of the State of Montana, I hereby return to you, with line-item vetoes, House Bill 2: “AN ACT APPROPRIATING MONEY TO VARIOUS STATE AGENCIES FOR THE BIENNIUM ENDING JUNE 30, 2027; AND PROVIDING AN EFFECTIVE DATE.”

Agencies have indicated there is funding in House Bill 2 that they do not need, and I have vetoed that unnecessary funding. Because of amendments to House Bill 311, the Legislative Branch does not require \$346,557, and I have vetoed it.¹ The Department of Revenue indicates it does not require \$1,126,412 for the Cannabis Control Division, and I have vetoed it.² The Department of Commerce neither seeks nor needs \$29,702 for travel expense reimbursement in the Director’s Office, and I have vetoed it.³

Additionally, House Bill 2 provides appropriations for two bills I have vetoed. First, House Bill 2 provides \$5 million funding for revised mathematics content standards, which was addressed in House Bill 462. In part because the Superintendent of Public Instruction believes House Bill 462 is unnecessary at this time since existing authorities can achieve the goal of the bill, I vetoed it. Therefore, I also have vetoed \$5 million for revised mathematics content standards.⁴

Second, House Bill 2 provides \$600,000 for school lunch funding, which was addressed in House Bill 551. House Bill 551 creates a new state program to eliminate copayments for reduced-price school meals, 30 cents for breakfast and 40 cents for lunch. House Bill 551 effectively shifts the burden of uncollected copayments from local school districts to state taxpayers. Additionally, existing programs provide students from lower-income households with access to affordable, nutritious meals throughout the school year and summer. For these reasons, I vetoed House Bill 551, and have vetoed this \$600,000 appropriation.⁵

¹ See note in Section A: Legislative Branch (11040): “If SB 311 is passed and approved, the Legislative Branch is increased by \$242,462 general fund in FY 2026 and \$104,095 general fund in FY 2027, and the Legislative Branch may increase positions budgeted authorized in HB 2 by 1.00 PB in FY 2026 and 1.00 PB in FY 2027.”

² Section A: Department of Revenue (58010): 4(04)(a); CCD Contract Increase (Restricted/Biennial); \$519,215 in Fiscal Year 2026 and \$607,197 in Fiscal Year 2027.

³ Section A: Department of Commerce (65010): 7(a); Travel Expense Reimbursement (Restricted); \$29,702 in Fiscal Year 2026.

⁴ Section E: Office of Public Instruction (35010): 1(h); Revised Mathematics Content Standards (Restricted/Biennial/OTO); \$2,500,000 in both Fiscal Years 2026 and 2027.

⁵ Section E: Office of Public Instruction (35010): 2(q); School Lunch Funding (Restricted/Biennial); \$300,000 in both Fiscal Years 2026 and 2027.

House Bill 2 also includes several new programs or expands existing ones. House Bill 2 uses Behavioral Health System for Future Generations (BHSFG) funding to create a \$3 million student loan repayment program designed for “nurses, licensed practical nurses, and psychiatrists at the Montana State Hospital [MSH] or other state-run facilities,” with the priority given for positions at MSH. While recruiting and retaining workers in the behavioral health and developmental disabilities workers is critical, particularly at MSH, this new \$3 million program has at least a few issues. First, this new program appears to run counter to the BHSFG Commission recommendation that the State of Montana “incentivize providers to join the [behavioral health] and [developmental disabilities] workforce in Montana by enhancing the existing State Loan Repayment Program (SLRP) that encourages behavioral health workers to practice in Montana,” because it focuses its priority to MSH. Second, the Department of Public Health and Human Services has made progress in recruiting and retaining nurses and other providers at MSH without offering a student loan repayment program, rendering this \$3 million proposal unnecessary at this time. Third, the \$3 million appropriation is one-time-only, essentially funding student loan repayment for two years and then cutting it off. Therefore, I have vetoed the \$3 million student loan repayment program.⁶

House Bill 2 creates a new \$100,000 grant program for STEM and robotics for the Office of Public Instruction to administer. While expanding students’ access to STEM education, including robotics, is critical, there are no parameters or guidelines attached to this new \$100,000 grant program, and I have vetoed it.⁷

House Bill 2 increases funding by \$640,000 for a value-added agriculture initiative within the Office of the Commissioner of Higher Education (OCHE). The proposals attached to this funding are vague and provide no definitive plan for how it would be used. OCHE neither seeks nor needs this funding. Therefore, I have vetoed the \$640,000 appropriation.⁸

Additionally, House Bill 2 raids Temporary Assistance for Needy Families (TANF) for \$6 million in new funding that appears earmarked for certain nonprofit organizations. TANF is a federal program designed to help lower-income families with children achieve economic security, traditionally targeting investments toward housing, food, and utilities. House Bill 2, however, creates new funding streams for specific nonprofit organizations that do noble work. Raiding TANF today, however, could create an unreasonable expectation tomorrow that the state will step in to fund these organizations, in the event the demand for TANF increases to a level that it requires the state to redirect funding from the outside organizations to TANF recipients or

⁶ Section B: Department of Public Health and Human Services (69010): 16(l); Student Loan Repayment Program (Restricted/Biennial/OTO); \$1,500,000 in both Fiscal Years 2026 and 2027.

⁷ Section E: Office of Public Instruction (35010): 1(d); STEM and Robotics (Restricted/Biennial); \$50,000 in both Fiscal Years 2026 and 2027.

⁸ Section E: Commissioner of Higher Education (51020): 7(a); MAES Value-Added Initiative (OTO); \$320,000 in both Fiscal Years 2026 and 2027.

if the federal government reforms TANF. This exposes taxpayers to unnecessary risk. Therefore, I have vetoed the TANF raid of \$6,000,000.⁹

House Bill 2 includes a nearly \$11 million carveout for a provider rate increase for one provider type, while leaving out others. A better approach is to examine provider rates using reliable cost reporting, having providers submit detailed financial information to show their actual costs for providing services to beneficiaries. House Bill 419, which the Legislature passed and I signed into law in May, establishes a standardized cost reporting process for certain Medicaid service providers. Using the data collected and analyzed as part of this new cost reporting standard, policymakers can make better informed decisions about provider rates in the future. As a result, I have vetoed \$10,714,118 for provider rate increases for air ambulance providers.¹⁰

The budget proposal I submitted provided a rate increase for contracted secure facilities totaling more than \$2.7 million over the biennium, which also increases the daily rate for county detention centers. I'm grateful to the Legislature for approving that funding to cover the increasing cost of housing incarcerated individuals. The Legislature, however, then amended House Bill 2 to provide additional, unnecessary funding to contracted secure facilities, totaling nearly \$1.6 million, which I have vetoed.¹¹

Prerelease centers are an important part of reintegrating offenders back into the community following their incarceration. The Department of Corrections contracts with prerelease centers to provide a place for offenders to live, while they work and receive necessary supports, including treatment. The Legislature amended House Bill 2 to increase funding for prerelease centers by nearly \$1.85 million. With the Department of Corrections in negotiations with prerelease centers, this additional funding may be premature. Furthermore, to ensure offenders receive the best support possible and that taxpayers receive the best return on investment possible, policymakers should consider reducing barriers and increasing competition by allowing for-profit and nonprofit prerelease centers to provide services. For these reasons, I have vetoed the nearly \$1.85 million in funding for the two-percent rate adjustment for prerelease centers.¹²

⁹ Section B: Department of Public Health and Human Services (69010): 2(c), Increase Funding for After-School Programs (Restricted/Biennial/OTO), \$1,000,000 in both Fiscal Years 2026 and 2027; Section B: Department of Public Health and Human Services (69010): 2(d), Increase Funding to Entities Providing Child Mentorship Programs (Restricted/Biennial/OTO), \$500,000 in both Fiscal Years 2026 and 2027; Section B: Department of Public Health and Human Services (69010): 2(e), Increase Funding to Entities That Advocate for Children in Legal Settings (Restricted/Biennial/OTO), \$500,000 in both Fiscal Years 2026 and 2027; Section B: Department of Public Health and Human Services (69010): 2(f), Increase Funding to Food Banks (Restricted/Biennial/OTO), \$1,000,000 in both Fiscal Years 2026 and 2027.

¹⁰ Section B: Department of Public Health and Human Services (69010): 11(a), Provider Rate Increases for Air Ambulance Providers; \$5,357,059 in both Fiscal Years 2026 and 2027.

¹¹ Section D: Department of Corrections (64010): 2(c); Increase for Prevailing Wages at Crossroads (Restricted); \$528,485 in Fiscal Year 2026 and \$1,056,970 in Fiscal Year 2027.

¹² Section D: Department of Corrections (64010): 3(a); 2.0% Rate Adjustment for Prerelease Centers (OTO); \$608,043 in Fiscal Year 2026 and \$1,238,557 in Fiscal Year 2027.

Finally, House Bill 2 requires a technical correction to eliminate a duplication in the bill that should not have been included. I have vetoed that duplication.¹³

We have an obligation to be good stewards of taxpayer resources, regardless of whether we are in more promising fiscal times or more challenging fiscal times. Protecting taxpayers requires us to make tough decisions, prioritizing what is necessary over what would be nice to have. I appreciate the Legislature, particularly the hardworking appropriators, for its work on the budget. With the nearly \$31 million in line-item reductions included here and the \$349 million in taxpayer savings over the next four years and beyond from vetoing other bills, we have more responsible spending and a budget with a stronger ending fund balance.

Keeping true to our commitments to right-size government, invest in our kids and their future, provide meaningful, permanent tax relief to hardworking Montanans, and make our communities safer, we're ensuring Montana remains the best place to live, work, and raise a family.

Sincerely,


Greg Gianforte
Governor



Enclosure

cc: Legislative Services Division
Secretary of State Christi Jacobson

¹³ See note in Section E: Office of Public Instruction (35010): "All revenue up to \$1.5 million in the state traffic education account for distribution to schools under the provisions of sections 20-7-506 and 61-5-121, MCA, is appropriated for the 2027 biennium as provided in Title 20, chapter 7, part 5, MCA."