



August 12, 2025

YELLOWSTONE COUNTY FISCAL YEAR 2026 FINAL BUDGET SUMMARY

The fiscal year 2026 (FY26) budget is herein presented to the Board of Yellowstone County Commissioners and the citizens of Yellowstone County for their consideration.

The budget has been compiled by the Finance Department with budget requests originating from various County departments, as well as outside entities. The budget requests were presented at budget hearings held June 23rd through June 24th, 2025. The final budget must be adopted by the Board of County Commissioners by the later of the first Thursday following the first Tuesday in September or 30 days after the State of Montana provides certified taxable values. Taxable values are statutorily due to counties no later than the first Monday in August.

The final budget for Fiscal Year 2026 is scheduled for adoption on September 2nd, 2025.

The final budget includes changes from the preliminary budget resulting from salary and benefit changes, evaluation of capital, personnel, and operating needs, taxable valuation changes, and FY25 year-end cash positions.

OVERVIEW

Overall, Yellowstone County remains in a strong financial position going into fiscal year 2026, thanks to healthy reserves and disciplined budget management. The Board of County Commissioners is committed to public safety and therefore continues to allow Finance the capacity to re-allocate discretionary mills to address those needs, as well as the needs of other County funds. For fiscal year 2026, mills were reallocated to provide mental health services and weed eradication services, as well as allowing continued operational support of public safety.

Beginning this fall, many County departments will move into the newly completed John V. Ostlund Building (formerly referred to as the County Administration Building). The building's name was changed to honor the late County Commissioner, John Ostlund, who served Yellowstone County for decades. The Short-Term Detention Facility will be ready to host inmates this winter, Extension will move into their new building downtown this fall, and the Elections department will move into their new building on the MetraPark campus this spring. Renovations to the current courthouse will commence after everyone is moved into the Ostlund Building this spring. This remodel is necessary to accommodate the two new judges awarded to Yellowstone County this past legislative session and to facilitate other court-related growth. It is worth noting that Yellowstone County was able to complete these projects without incurring any debt or going to the voters for an additional levy.

The criminal justice needs assessment study was completed last fiscal year and presented to the Board of County Commissioners. This study provided recommendations for system efficiency improvement, capacity management and enhanced outcomes for both adults and youths involved in the criminal justice system. As a result of this study, Yellowstone County engaged a consulting firm to conduct a poll of registered voters to gauge their interest in expanding the current Detention Facility. After the Board of County Commissioners receives that data, they will then decide if and when they will go to the voters with the ballot measure.

Expanding the Detention Facility will require both a material operational levy and significant debt issuance, both of which will need to be approved by the voters.

MetraPark completed construction on a new 3200-person capacity outdoor arena in time to host Rodeo Billings during August's MontanaFair. The primary focus of the venue will be equine and rodeo events with the possibility to hold other types of events in the future. This capital project was funded completely from MetraPark's Capital Improvement fund without any new debt obligations.

REVENUE BUDGETS

Pursuant to HB231 and SB542, progressive taxable valuation rates were implemented for the first time this fiscal year. It is estimated that most primary residential homes in Yellowstone County will see a slight decrease in countywide levied property taxes on their 2025 statement. There will be another change in fiscal year 2027 to taxable valuation rates, growth, and inflation factors when SB117 becomes effective.

Fiscal year 2026 revenues from all sources (including internal transfers) are budgeted at \$155 million, of which \$74.5 million is derived exclusively from property taxes. This is \$4.17 million more than FY25 property tax revenue. New properties assessed for the first time amounted to slightly over \$2 million of that increase, \$1.3 million was based upon the inflationary allowance under State law on existing homes, and the balance is attributed to levy authority not utilized last year but now necessary in order to continue providing existing services.

This year the Montana Department of Revenue conducted reappraisals which resulted in market valuation increases for the majority of properties in Yellowstone County. There was an increase in the number of mills levied, with the implementation of the new taxable valuation rates, in order to generate the revenue authorized under Montana Code Annotated. That is due to the decrease in the value of a mill. Last fiscal year there were 116.92 mills levied to generate the approximate \$70.3 million in property tax revenue. This fiscal year, 140.95 mills will be levied to generate approximately \$74.5 million in property tax revenue.

We have no new voter-approved mills being implemented this fiscal year.

The State of Montana's entitlement funding came in 6.18% higher than last fiscal year. While this was appreciated, it is not anticipated to increase as substantially next fiscal year.

The permissive medical levy was increased this year by 2.26 mills which equates to approximately \$500,000 in additional levied revenue. Engaging with an additional consulting firm to aid in the reduction of prescription claims, along with increasing employee premiums was necessary to keep up with a portion of the inflationary trend we continue to experience in the health insurance fund. The State of Montana authorizes Yellowstone County to levy 16.41 mills in fiscal year 2026, 3.8 mills more than Yellowstone County will levy. This reduction is predicted to save Yellowstone County taxpayers approximately \$1,689,214 this fiscal year.

The mill levy for Big Sky Economic Development was deemed to be part of the general government's discretionary mills. Therefore, the Board of County Commissioners decided to absorb those mills to operationally support public safety, particularly the Sheriff fund. In lieu of the mill levy, Big Sky Economic Development will receive \$1.3 million under a Memorandum of Understanding with Yellowstone County.

Over the last couple years, Yellowstone County was able to benefit from record high interest earnings on its pooled investments. However, beginning this fall, the market is anticipating future rate cuts, and therefore projected interest earnings have been adjusted accordingly.

EXPENDITURE BUDGETS

Yellowstone County's fiscal year 2026 budget continues to result in a balanced operational budget. Base appropriations, excluding ARPA and the Capital Improvement Projects funds, are projected to increase 5.15% over the same base appropriations last fiscal year. This percentage assumes everything budgeted will actually be spent, which is unlikely. Each department was also asked to reduce their travel and training budgets this fiscal year in order to support the public safety function.

As mentioned above, the Public Safety Sheriff fund continues to experience rising operational costs that exponentially outpace the ability of the County to levy property taxes under State law. Primarily the cost of operating and maintaining the Detention Facility, as a result of the abnormally high increase in the Facility's inmate population, make it necessary for the General Fund to continually provide support. Of the County's three public safety funds, the Sheriff fund does not have a dedicated, voter-approved levy to fund it. For the past three fiscal years, the General Fund has supported the operations of the Sheriff's fund with over \$6 million in transfers and another \$4 million is predicted this fiscal year.

Changes to the preliminary budget were made to the final FY26 budget based upon year-end activity and reserve levels last fiscal year, certified values received from the State of Montana, and input resulting from June 2025 budget hearings. These are outlined on pages 17-18 of the final budget document.

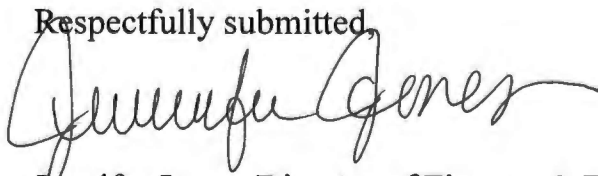
Staffing levels are budgeted to increase 2.5% over last fiscal year. These include: (1) Justice Court pretrial assistant; (1) Security Advisor; (1) Facilities Engineer; (1) Animal Control Officer; and (10) Detention Officers to operate the Short-Term

Detention Facility opening this fall. A recap is available for review on the Personnel Recap page of the budget document. In addition to staffing level increases, the Board of County Commissioners approved an annual cost of living compensation increase for most current positions.

To account for property tax funding that may not be received in FY26, contingency expenditure budgets have been updated in many of the tax-levied funds. This year protested taxes are estimated at 3.25% for the majority of County funds. This increase is due to the delay Montana Department of Revenue experienced while implementing the new tiered taxable valuation rates, and therefore a delayed deadline protested valuations are due to MDOR. The Road Fund, Library Fund, County and Laurel Planning Funds and Lockwood Pedestrian Safety District are estimated at 3.75% due to expected higher levels of protested valuation affecting only these segregated funds.

I would like to take a moment to thank all the County departments for their assistance with building this budget. Finance's collaboration with others allowed for a financial plan that demonstrates our sound financial position and our continued commitment to address County needs well into the future. I would also like to thank our Senior Accountant, Anna Ullom, for her hard work in assembling this budget herein presented.

Respectfully submitted,

A handwritten signature in black ink, appearing to read "Jennifer Jones", written over a horizontal line.

Jennifer Jones, Director of Finance & Budget