

Program Budget Comparison

The following table summarizes the total proposed budget by year, type of expenditure, and source of funding.

Program Budget Comparison								
Budget Item	Base Fiscal 2014	Approp. Fiscal 2015	Budget Fiscal 2016	Budget Fiscal 2017	Biennium Fiscal 14-15	Biennium Fiscal 16-17	Biennium Change	Biennium % Change
FTE	26.16	26.16	26.45	26.45	26.16	26.45	0.29	1.11 %
Personal Services	1,538,340	1,923,622	2,011,919	2,012,615	3,461,962	4,024,534	562,572	16.25 %
Operating Expenses	839,674	854,039	1,245,421	1,232,868	1,693,713	2,478,289	784,576	46.32 %
Grants	7,282,096	13,021,919	13,765,828	13,755,828	20,304,015	27,521,656	7,217,641	35.55 %
Total Costs	\$9,660,110	\$15,799,580	\$17,023,168	\$17,001,311	\$25,459,690	\$34,024,479	\$8,564,789	33.64 %
General Fund	719,878	748,481	1,144,805	1,129,850	1,468,359	2,274,655	806,296	54.91 %
State/Other Special Rev. Funds	2,194,673	3,069,087	3,136,227	3,133,337	5,263,760	6,269,564	1,005,804	19.11 %
Federal Spec. Rev. Funds	6,745,559	11,982,012	12,742,136	12,738,124	18,727,571	25,480,260	6,752,689	36.06 %
Total Funds	\$9,660,110	\$15,799,580	\$17,023,168	\$17,001,311	\$25,459,690	\$34,024,479	\$8,564,789	33.64 %

Program Description

The Community Development Division (CDD) administers five programs directly:

- Community Development Block Grant Program (CDBG);
- Community Technical Assistance Program (CTAP);
- HOME Investment Partnerships Program (HOME);
- Quality Schools Grant Program; and
- Treasure State Endowment Program (TSEP).

Two citizen boards appointed by the Governor, Montana Coal Board and the Montana Hard Rock Mining Impact Board, are attached to CDD for administrative purposes. The division provides office facilities, staff, and administrative support for the two boards.

Program Highlights

Community Development Division Major Budget Highlights
<ul style="list-style-type: none"> • Funding for the division increases between the two biennia primarily due to increases in federal funding and increased costs associated with the Hard Rock Mining Impact and Coal Boards • A reorganization in FY 2014 transferred the HOME Program to division with 5.83 FTE and \$6.7 million in federal funds
Major LFD Issues
<ul style="list-style-type: none"> • Computer software purchases can be considered one-time-only use of funds

Program Discussion -

Comparison of the FY 2015 Legislative Base and the FY 2015 Appropriation

The major change between the FY 2015 legislative base and the executive's implementation of the FY 2015 appropriation is due to a reorganization that transferred the HOME program from the Board of Housing to CDD. This change increases the FY 2015 appropriation by:

- 5.83 FTE including 4.33 program specialists, 1.00 FTE administrative assistant, and 0.50 FTE accountant. The administrative assistant and 0.71 FTE associated with a program specialist were eliminated by the division as part of its compliance with boilerplate language for HB 2 enacted by the 2013 Legislature
- \$391,368 in personal services
- \$92,174 in operating expenses
- \$6,175,926 in grants

Department of Commerce Community Development Division FY 2015 Appropriation Transactions			
Category	Legislative Appropriation	Reorganization	Total Executive Implementation
Personal Services	\$1,532,254	\$391,368	\$1,923,622
Operating Expenses	761,865	92,174	854,039
Grants	<u>6,845,993</u>	<u>6,175,926</u>	<u>13,021,919</u>
Total Costs	<u>\$9,140,112</u>	<u>\$6,659,468</u>	<u>\$15,799,580</u>

In addition, the CDD transferred \$206,750 in authority to operating expenses in FY 2014, \$146,750 from personal services and \$60,000 from grants.

Comparison of FY 2014 Actuals to the 2015 Legislative Base

FY 2014 actual spending is \$0.5 million above the 2015 legislative base due to the transfer of \$6.7 million in authority for the HOME Program.

Personal services changes are due to:

- Full funding of positions that were unfilled during a portion of the FY 2014
- Employee attainment of longevity milestones in FY 2015
- Annualization of the state share contribution to the employee health increase provided in FY 2014
- Implementation of a pay increase in FY 2015 as provided in HB 13
- Addition of 5.83 FTE and \$391,368 in authority

FY 2014 grants were significantly lower than FY 2015 appropriations for three programs:

- CDBG projected at \$5.3 million in FY 2015, actual spending in FY 2014 \$3.2 million
- Coal Board projected at \$1.7 million in FY 2015, actual spending in FY 2014 \$1.1 million
- HOME projected at \$6.2 million in FY 2015, actual spending in FY 2014 \$2.9 million

According to Commerce staff CDBG spending is dependent on requests from grantees and the process used to award the grants. Coal Board funding is a biennial appropriation. In the 2015 biennium the total amount appropriated was \$3.9 million with \$2.8 million available for awards in FY 2015. Commerce staff indicate that the spending level depends on grantee requests. Commerce appropriations for HOME funds are above projected grant awards as grantees have income that is generated from the program. According to Commerce staff if the grantee chooses to remit the program income to Commerce they must have a level of federal authority that is sufficient to then award the remitted funding to other community projects

Executive Request

The figure on the following page shows the changes for each of the programs between actual spending occurring in FY 2014 and the Governor's proposed budget in the 2017 biennium. Increases above FY 2014 actuals in operating expenses occur in the Coal Board, Community Development Block Grant Program, Treasure State Endowment Program, Community Technical Assistance Program, Quality Schools Program, and the HOME Program and include:

- Indirect and administrative charges
- Annual inflationary rent increase included in the lease agreement for non-Department of Administration building
- State Information Technology Services Division increases included in fixed costs

The Hard Rock Mining Board's (board) budget includes \$100,000 each year of the biennium for other services. Statute requires the board to maintain a reserve not to exceed \$100,000. The reserve account is funded through an allocation from the hard rock mining impact trust account. Expenditures may be made from the reserve:

1. For administrative and operating expenses of the board if the revenues from the license tax on metal mines are not sufficient to cover the estimated costs; or
2. To pay for the quasi-judicial responsibilities of the board related to impact plans.

The board did not need the reserve funding in FY 2014, which accounts for differences between FY 2014 and FY 2015 for this board.

The Coal Board is statutorily required to biennially designate eligible entities for Coal Board funds. The executive includes an additional \$10,000 in FY 2017 for this purpose.

The Community Technical Assistance Program has included an additional \$15,000 in funding above the amount spent in FY 2014 to purchase in-depth analysis software to provide communities with detailed plans and resource documents in FY 2016. The software can be used to provide in-depth technical assistance to communities interested in conducting targeted market analysis, housing studies, land use planning documents and economic development plans.

Department of Commerce Community Development Division					
Program	Actual FY 2014	Proposed FY 2016	% Change	Proposed FY 2017	% Change
Coal Board					
FTE	1.16	1.16	0.00%	1.16	0.00%
Personal Services	\$67,569	\$86,086	27.40%	\$85,894	27.12%
Operating Expenses	37,237	40,469	8.68%	49,455	32.81%
Grants	<u>1,146,268</u>	<u>1,730,000</u>	<u>50.92%</u>	<u>1,720,000</u>	<u>50.05%</u>
Total Expenditures	1,251,074	1,856,555	48.40%	1,855,349	48.30%
Hard Rock Mining Board					
FTE	1.16	1.16	0.00%	1.16	0.00%
Personal Services	80,548	84,586	5.01%	84,393	4.77%
Operating Expenses	<u>31,659</u>	<u>136,221</u>	<u>330.28%</u>	<u>135,720</u>	<u>328.69%</u>
Total Expenditures	112,207	220,807	96.79%	220,113	96.17%
Community Development Block Grant					
FTE	5.50	5.50	0.00%	5.50	0.00%
Personal Services	397,221	434,176	9.30%	435,207	9.56%
Operating Expenses	153,457	163,477	6.53%	162,698	6.02%
Grants	<u>3,218,732</u>	<u>4,118,732</u>	<u>27.96%</u>	<u>4,118,732</u>	<u>27.96%</u>
Total Expenditures	3,769,410	4,716,385	25.12%	4,716,637	25.13%
Treasure State Endowment					
FTE	6.17	6.17	0.00%	6.17	0.00%
Personal Services	453,977	506,369	11.54%	507,491	11.79%
Operating Expenses	<u>120,282</u>	<u>131,470</u>	<u>9.30%</u>	<u>130,327</u>	<u>8.35%</u>
Total Expenditures	574,259	637,839	11.07%	637,818	11.07%
Community Technical Assistance Program					
FTE	2.17	2.17	0.00%	2.17	0.00%
Personal Services	159,998	191,248	19.53%	191,115	19.45%
Operating Expenses	<u>272,266</u>	<u>299,387</u>	<u>9.96%</u>	<u>283,422</u>	<u>4.10%</u>
Total Expenditures	432,264	490,635	13.50%	474,537	9.78%
Quality Schools					
FTE	4.17	4.17	0.00%	4.17	0.00%
Personal Services	147,598	287,538	94.81%	287,207	94.59%
Operating Expenses	<u>108,872</u>	<u>132,451</u>	<u>21.66%</u>	<u>131,816</u>	<u>21.07%</u>
Total Expenditures	256,470	419,989	63.76%	419,023	63.38%

HOME Program					
FTE	5.83	4.12	-29.33%	4.12	-29.33%
Personal Services	231,429	276,025	19.27%	275,313	18.96%
Operating Expenses	115,901	126,097	8.80%	123,551	6.60%
Grants	<u>2,917,096</u>	<u>7,917,096</u>	<u>171.40%</u>	<u>7,917,096</u>	<u>171.40%</u>
Total Expenditures	3,264,426	8,319,218	154.84%	8,315,960	154.74%

**LFD
ISSUE**

Computer Software Purchases Can Be Considered One-Time-Only Use of Funds

Purchases that are not recurring in nature can be considered a one-time-only use of the funds. This designation ensures that the costs are not included in the base budget for the following biennium. Purchase of computer analysis software is considered a nonrecurring expenditure of funds. The legislature may wish to consider designating the funding as one-time-only. In addition the legislature may wish to ensure that the funds are only used to purchase the analysis software by restricting the funds to this purpose.

Legislative Option

Designate funding for analysis software as one-time-only, restricted, or both.

Funding

The following table shows proposed program funding by source from all sources of authority.

Department of Commerce, 60-Community Development Division Funding by Source of Authority					
Funds	HB2	Non-Budgeted Proprietary	Statutory Appropriation	Total All Sources	% Total All Funds
01100 General Fund	2,274,655	0	0	2,274,655	6.58 %
02049 Hard Rock Mining	440,920	0	525,000	965,920	14.22 %
02218 School Facility Imprvmnt Acct	841,083	0	0	841,083	12.38 %
02270 Treasure State Endowment	1,275,657	0	0	1,275,657	18.77 %
02445 Coal Board	3,711,904	0	0	3,711,904	54.63 %
State Special Total	\$6,269,564	\$0	\$525,000	\$6,794,564	19.67 %
03053 Neighborhood Stabilization Prg	0	0	0	0	0.00 %
03059 Community Development Block	8,845,082	0	0	8,845,082	34.71 %
03300 Home Grants	16,635,178	0	0	16,635,178	65.29 %
Federal Special Total	\$25,480,260	\$0	\$0	\$25,480,260	73.75 %
Proprietary Total	\$0	\$0	\$0	\$0	0.00 %
Total All Funds	\$34,024,479	\$0	\$525,000	\$34,549,479	

General fund:

- Provides matching funds for the Community Development Block Grant
- Wholly supports the Community Technical Assistance Program

State special revenue is dominated by grant funding for Coal Board programs that fund governmental services that are a direct consequence of an increase or decrease of coal development or as the result of an increase or decrease in the consumption of coal by a coal-using energy complex.

Treasure State Endowment Programs (TSEP) are funded with interest earnings from the treasure state endowment fund, a subfund within the coal tax trust. Transfers into the fund will be capped at the end of FY 2016. At end of FY 2014 the TSEP trust fund had a balance of \$238.6 million while the income account within the trust has accumulated a fund balance of \$31.1 million that is available for projects. Revenue from the income account within the trust is then transferred to the state special revenue fund for administrative costs and grants provided by the program.

The CDBG program is primarily funded with federal block grant funds allocated through the US Department of Housing and Urban Development. The general fund provides a required match for a portion of the administrative costs of the program equal to 2% of the annual CDBG allocation.

Funding for the Quality Schools Grant Program is derived from the school facility and technology fund. The purpose of the fund is to provide funding for a number of needs for public schools in Montana.

LFD COMMENT At this time the funding in the account is not sufficient to provide for all of the intended uses of the fund. See LFD Issue in the funding discussion of the Local Education Activities Program for the Office of Public Instruction.

Budget Summary by Category

The following summarizes the total budget utilizing the FY 2015 Legislative base, present law adjustments, and new proposals.

Budget Summary by Category								
Budget Item	-----General Fund-----				-----Total Funds-----			
	Leg. Budget Fiscal 2016	Leg. Budget Fiscal 2017	Leg. Biennium Fiscal 16-17	Percent of Budget	Leg. Budget Fiscal 2016	Leg. Budget Fiscal 2017	Leg. Biennium Fiscal 16-17	Percent of Budget
2015 Budget	748,481	748,481	1,496,962	65.81 %	9,140,112	9,140,112	18,280,224	53.73 %
PL Adjustments	34,584	19,495	54,079	2.38 %	7,521,316	7,499,325	15,020,641	44.15 %
New Proposals	361,740	361,874	723,614	31.81 %	361,740	361,874	723,614	2.13 %
Total Budget	\$1,144,805	\$1,129,850	\$2,274,655		\$17,023,168	\$17,001,311	\$34,024,479	

Present Law Adjustments -

The "Present Law Adjustments" table shows the changes from FY 2015 legislative appropriation to the budget proposed by the executive. PSPL adjusts all personal services. LGPL provides for adjustments to other expenditures such as operating expenses. Each is discussed in the narrative that follows. Total funds in the Present Law Adjustments table do not include proprietary funds budgeted in House Bill 2.

Present Law Adjustments										
	-----Fiscal 2016-----				-----Fiscal 2017-----					
	FTE	General Fund	State Special	Federal Special	Total Funds	FTE	General Fund	State Special	Federal Special	Total Funds
DP 98 - LEG. Personal Services Present Law	0.00	(9,607)	24,343	319,038	333,774	0.00	(9,521)	24,379	319,508	334,366
DP 99 - LEG. Present Law	0.00	44,191	42,797	7,100,554	7,187,542	0.00	29,016	39,871	7,096,072	7,164,959
Grand Total All Present Law Adjustments	0.00	\$34,584	\$67,140	\$7,419,592	\$7,521,316	0.00	\$19,495	\$64,250	\$7,415,580	\$7,499,325

DP 98 - LEG. Personal Services Present Law -

The Personal Services Present Law Adjustments (PSPL) in the table below includes all present law adjustments related to personal services, including statewide present law personal services adjustments. This adjustment has been broken out by some of its component parts for a more detailed understanding of the adjustments. FY 2016 and FY 2017 contain the reductions in FTE made by the executive to implement the boilerplate language in HB 2.

Present law adjustment increases are driven by the reorganization of the HOME Program that was moved from the Housing Division to the Community Development Division in FY 2014. This change was not contemplated by the 2013 Legislature.

Personal Services Present Law Adjustments					
CP 98 PSPL Item	FY 2016				
	FTE	General Fund	State Special	Federal Special	Total Funds
State Share Health Insurance	24.45	\$1,254	\$6,158	\$4,471	\$11,883
Executive Implementation of 2015 Pay Increase		3,930	16,282	11,672	31,885
Fully Fund 2015 Legislatively Authorized FTE		5,593	-	-	5,593
Other					
Reorganization		-	-	391,368	391,368
Remainder of Other	0.00	(20,384)	1,903	(88,473)	(106,954)
Total Other	0.00	(20,384)	1,903	302,895	284,414
Personal Services Present Law Adjustments	24.45	(\$9,607)	\$24,343	\$319,038	\$333,774
CP 98 PSPL Item	FY 2017				
	FTE	General Fund	State Special	Federal Special	Total Funds
State Share Health Insurance	24.45	\$1,254	\$6,158	\$4,471	\$11,883
Executive Implementation of 2015 Pay Increase		3,930	16,282	11,672	31,885
Fully Fund 2015 Legislatively Authorized FTE		5,593	-	-	5,593
Other					
Reorganization		-	-	391,368	391,368
Remainder of Other	0.00	(20,298)	1,939	(88,003)	(106,362)
Total Other	0.00	(20,298)	1,939	303,365	285,006
Personal Services Present Law Adjustments	24.45	(\$9,521)	\$24,379	\$319,508	\$334,366

The executive proposes increases of 21.8% for personal services when compared to the 2015 legislative base budget. The majority of the increase is related to the reorganization as shown in the table above.

DP 99 - LEG. Present Law -

The following table outlines various components of the changes included in the LGPL adjustments.

Legislative Present Law Adjustments				
	FY 2016			
	General Fund	State Special	Federal Special	Total Funds
CP 99 Item				
Coal Board	(\$11,057)	(\$15,286)	(\$4,358)	(\$30,701)
Hard Rock Mining Board	-	13,479	-	13,479
Community Development Block Grant	(15,237)	-	(938,281)	(953,518)
Treasure State Endowment Program	-	8,214	-	8,214
Community Technical Assistance Program	71,459	-	-	71,459
Quality Schools	(974)	36,390	-	35,416
Reorganization - HOME	\$0	\$0	8,043,193	8,043,193
Legislative Present Law Adjustments	\$44,191	\$42,797	\$7,100,554	\$7,187,542
FY 2017				
	General Fund	State Special	Federal Special	Total Funds
CP 99 Item				
Coal Board	(11,318)	(15,937)	(4,460)	(31,715)
Hard Rock Mining Board	-	12,978	-	12,978
Community Development Block Grant	(14,182)	-	(940,115)	(954,297)
Treasure State Endowment Program	-	7,071	-	7,071
Community Technical Assistance Program	55,494	-	-	55,494
Quality Schools	(978)	35,759	-	34,781
Reorganization - HOME	\$0	\$0	8,040,647	8,040,647
Legislative Present Law Adjustments	\$29,016	\$39,871	\$7,096,072	\$7,164,959

The majority of the change for the Community Development Division is the reorganization transferring the HOME Program to CDD.

The Coal Board is statutorily required to biennially designate eligible entities for Coal Board funds. The adjustment includes authority to allow the department to hire consulting services to perform the designation study for proper allocation of Coal Board grants.

The Community Technical Assistance Program has requested additional funding to purchase in-depth analysis software to provide communities with detailed plans and resource documents. The software can be used to provide in-depth technical assistance to communities interested in conducting targeted market analysis, housing studies, land use planning documents and economic development plans. Please see the issue under the "Executive Request" section for further information.

New Proposals -

Total funds in the New Proposals table do not include proprietary funds budgeted in House Bill 2.

New Proposals	Fiscal 2016					Fiscal 2017				
	FTE	General Fund	State Special	Federal Special	Total Funds	FTE	General Fund	State Special	Federal Special	Total Funds
DP 600604 - State Broadband Program	2.00	361,740	0	0	361,740	2.00	361,874	0	0	361,874
Total	2.00	\$361,740	\$0	\$0	\$361,740	2.00	\$361,874	\$0	\$0	\$361,874

DP 600604 - State Broadband Program -

The executive proposes state broadband data and development services as part of the Community Technical Assistance Program. The funding also includes \$175,000 per year for broadband mapping. Funding is requested as a biennial appropriation and is contingent upon passage of HB 14.

**LFD
ISSUE**

Funding Not Designated as Biennial or Contingent on the Passage of HB 14 as Proposed

While the narrative submitted by the agency indicates this proposal is biennial and contingent on the passage of HB 14, HB 2 as proposed by the Governor does not contain these restrictions on the funding.

Legislative Option

If the legislature decides to approve this proposal it can designate the funding as biennial, and/or contingent on the passage of HB 14.