

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
Personal Services	4,090	0	0	0	4,090	0	(4,090)	(100.00)%
Operating Expenses	628,172	966,079	778,153	778,153	1,594,251	1,556,306	(37,945)	(2.38)%
Grants	0	0	0	0	0	0	0	0.00 %
Benefits & Claims	157,063	358,921	370,731	370,731	515,984	741,462	225,478	43.70 %
Total Costs	\$789,325	\$1,325,000	\$1,148,884	\$1,148,884	\$2,114,325	\$2,297,768	\$183,443	8.68 %
State/Other Special Rev. Funds	0	150,000	150,000	150,000	150,000	300,000	150,000	100.00 %
Federal Spec. Rev. Funds	789,325	1,175,000	998,884	998,884	1,964,325	1,997,768	33,443	1.70 %
Total Funds	\$789,325	\$1,325,000	\$1,148,884	\$1,148,884	\$2,114,325	\$2,297,768	\$183,443	8.68 %

Program Description

Housing Division is made up of a wide array of housing programs, funded through a variety of federal funding sources. The programs can easily be divided into two major categories.

1. The Housing Assistance Bureau (HAB) receives its funding from the U.S. Department of Housing and Urban Development (HUD). HAB administers:
 - Tenant-based Section 8 Housing Program, which includes the Housing Choice Voucher Program as well as the Veterans Affairs Supportive Housing (VASH) Program and the Shelter Plus Care Program. Leases are entered on the open rental market between tenants and private landlords and the program makes a subsidy payment to the property owner on behalf of the tenant. Payments are based on applicable unit rent limits and tenants generally pay 30% of their income towards rent and utilities
 - Project-based Section 8 Housing Program performs annual property reviews, oversees property management, and makes rent subsidy payments to owners

2. The Board of Housing (BOH) is an agency of the state and operates within the Department of Commerce for administrative purposes. The BOH is funded by enterprise funds with revenue derived from administrative charges applied to projects and mortgages financed. BOH provides policy direction to the agency staff, authorizes bond issues, approves development financing, and evaluates BOH programs. The board's programs include:

- Regular Bond Homeownership Program
- Special Set-Aside Homeownership
- Multifamily Loan Program
- Low Income Housing Tax Credit Program
- Housing Montana Fund
- Reverse Annuity Mortgage (RAM) Program

Program Highlights

Housing Division Major Budget Highlights	
<ul style="list-style-type: none"> The budget increases by 8.7% compared to the 2015 biennium with changes reflecting funding for loans to finance replacement of substandard manufactured homes The HOME Program with 5.83 FTE and \$6.7 million in appropriation authority was transferred to the Community Development Division 	
Major LFD Issues	
<ul style="list-style-type: none"> Available funding in the Manufacturing Home Replacement Program does not support proposed expenditures 	

Program Discussion -

As shown in the figure on funding, the majority of the programs in the Housing Division is supported by proprietary funds and discussed in the "Proprietary Rate" section of the program narrative. The following program discussion relates to appropriations contained in HB 2 as shown in the program budget comparison table above.

Comparison of the 2015 Legislative Base and the 2015 Appropriation

Department of Commerce Housing Division FY 2015 Appropriation Transactions			
Category	Legislative Appropriation	Reorganization	Total Executive Implementation
Personal Services	\$391,368	(\$391,368)	\$0
Operating Expenses	1,058,253	(92,174)	966,079
Grants	6,175,926	(6,175,926)	0
Benefits and Claims	<u>358,921</u>	<u>0</u>	<u>358,921</u>
Total Costs	<u>\$7,984,468</u>	<u>(\$6,659,468)</u>	<u>\$1,325,000</u>

The major change between the FY 2015 legislative base and the FY 2015 appropriation is due to a reorganization that transferred the HOME program from the Board of Housing to Community Development Division. This reorganization decreased the FY 2015 appropriation by:

- 5.83 FTE, including 4.33 program specialists, 1.00 FTE administrative assistant, and 0.50 FTE accountant.
- \$391,368 in personal services
- \$92,174 in operating expenses
- \$6,175,926 in grants

Comparison of FY 2014 Actuals to the 2015 Legislative Base

Operating expenses were lower than anticipated in two categories:

- Loans made
- Consulting and professional services

Montana's Manufactured Home Replacement (MHR) Program administers a revolving loan fund to finance the replacement of substandard manufactured homes with newer, energy-efficient manufactured homes. Currently the program has about \$200,000 in long-term notes outstanding and funding available for additional loans of up to \$130,000. The program did

not have requests for loans in FY 2014 while the FY 2015 legislative appropriation includes \$150,000 for loans made. The executive proposes authority for loans made of \$150,000 each year of the 2017 biennium.

**LFD
ISSUE**
Available Funding in the MHR Fund Does Not Support Proposed Expenditures

As discussed above, current funding available for loans for MHR is \$130,000 while the executive proposes \$300,000 in funding to support operating expenses for loans made. Between FY 2015 and FY 2017, additional funding derived from loan repayments will be generated. In FY 2014 this amount was \$27,000. Based on FY 2014, up to an additional \$90,000 may be available for loans in the 2017 biennium. These additional funds combined with the available fund balance leaves a gap of about \$80,000 between the funding available and the amount requested by the executive.

Legislative Option

Reduce authority for operating expenses by \$80,000 over the biennium.

The Housing Division expended \$599,846 in consulting and professional services in FY 2014 while the FY 2015 legislative appropriation anticipated expenditures of \$729,428. The 2017 biennium proposal for funding supports the FY 2014 level of funding at \$599,846 each year.

Funding

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

Department of Commerce, 74-Housing Division Funding by Source of Authority					
Funds	HB2	Non-Budgeted Proprietary	Statutory Appropriation	Total All Sources	% Total All Funds
General Fund	0	0	0	0	0.00 %
02575 Mobile Home Revolving Loan Fund	300,000	0	0	300,000	100.00 %
State Special Total	\$300,000	\$0	\$0	\$300,000	0.32 %
03110 HUD Comprehensive Counseling	983,532	0	0	983,532	49.23 %
03144 SHELTER PLUS CARE - HUD	753,332	0	0	753,332	37.71 %
03282 EMERGENCY HOMEOWNERS LOAN PROG	10,986	0	0	10,986	0.55 %
03300 Home Grants	0	0	0	0	0.00 %
03521 Section 811 Project Rental	0	0	0	0	0.00 %
03945 BOH FORCLOSURE MITIGATION	249,918	0	0	249,918	12.51 %
Federal Special Total	\$1,997,768	\$0	\$0	\$1,997,768	2.11 %
06030 BOH Financial Program Fund	0	4,711,348	0	4,711,348	5.09 %
06031 Housing Trust Fund	0	30,000	0	30,000	0.03 %
06032 Mortgage Loan Servicing	0	2,977,679	0	2,977,679	3.22 %
06074 SEC 8 Project Based	0	40,282,247	0	40,282,247	43.53 %
06075 HUD Section 8 Housing Program	0	40,014,069	0	40,014,069	43.24 %
06078 Affordable House Revolving Ln	0	0	0	0	0.00 %
06079 Revolving Loan Fund - TANF	0	20,000	0	20,000	0.02 %
06085 Section 8 Mod Rehab	0	4,513,099	0	4,513,099	4.88 %
Proprietary Total	\$0	\$92,548,442	\$0	\$92,548,442	97.58 %
Total All Funds	\$2,297,768	\$92,548,442	\$0	\$94,846,210	

The majority of the funds supporting the activities of the Housing Division are proprietary funds. The Board of Housing operations are funded by six enterprise funds with revenues derived from an administrative charge applied to projects and mortgages financed. Under the Montana Housing Act of 1975, the board does not receive any general fund, and is completely self-supporting.

The programs funded through HB 2 include the state special revenues for the mobile home revolving loan fund. A LFD issue related to this funding is discussed under the Program Discussion narrative on the previous page. Federal funds include three federal grants:

- Shelter plus care grants help provide housing and supportive services on a long-term basis for homeless people with disabilities, especially serious mental illness, chronic drug or alcohol problems, and AIDS. Program grants are used for the provision of rental assistance payments through Section 8 Moderate Rehabilitation for Single Room Occupancy, sponsor-based rental assistance, tenant-based rental assistance, or project-based rental assistance
- Both the HUD Homeownership Counseling and National Foreclosure Mitigation Counseling program grant funds provide counselors that are available at no charge to assist any homebuyer who is facing foreclosure or anticipating difficulty in making their mortgage payments

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								
-----General Fund-----					-----Total Funds-----			
Budget Item	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	0	0	0	0.00 %	14,643,936	14,643,936	29,287,872	0.00 %
PL Adjustments	0	0	0	0.00 %	(13,495,052)	(13,495,052)	(26,990,104)	0.00 %
New Proposals	0	0	0	0.00 %	0	0	0	0.00 %
Total Budget	\$0	\$0	\$0		\$1,148,884	\$1,148,884	\$2,297,768	

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	0	0	(391,368)	(391,368)	0.00	0	0	(391,368)	(391,368)
DP 99 - LEG. Present Law									
0.00	0	0	(13,103,684)	(13,103,684)	0.00	0	0	(13,103,684)	(13,103,684)
Grand Total All Present Law Adjustments									
0.00	\$0	\$0	(\$13,495,052)	(\$13,495,052)	0.00	\$0	\$0	(\$13,495,052)	(\$13,495,052)

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.

Personal Services Present Law Adjustments					
FY 2016					
CP 98 PSPL Item	FTE	General Fund	State Special	Federal Special	Total Funds
State Share Health Insurance		\$0		\$0	\$0
Executive Implementation of 2015 Pay Increase	-		-	-	-
Fully Fund 2015 Legislatively Authorized FTE	-		-	-	-
Other	-		-	(391,368)	(391,368)
Personal Services Present Law Adjustments	0.00	\$0		\$0 (\$391,368)	(\$391,368)
FY 2017					
CP 98 PSPL Item	FTE	General Fund	State Special	Federal Special	Total Funds
State Share Health Insurance		\$0		\$0	\$0
Executive Implementation of 2015 Pay Increase	-		-	-	-
Fully Fund 2015 Legislatively Authorized FTE	-		-	-	-
Other	-		-	(391,368)	(391,368)
Personal Services Present Law Adjustments	0.00	\$0		\$0 (\$391,368)	(\$391,368)

The only FTE in HB 2 for this program were those in the HOME Program. As shown in the program budget comparison table the executive has not included personal services as part of its 2017 biennium budget proposal of the Housing Division. The reductions in other reflect the elimination of FTE in this program when compared to the 2015 legislative base budget.

DP 99 - LEG. Present Law -

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

Legislative Present Law Adjustments				
CP 99 Item	General Fund	State Special	Federal Special	Total Funds
Reorganization	\$0		\$0 (\$6,268,100)	(\$6,268,100)
Other	-	-	(6,835,584)	(6,835,584)
Legislative Present Law Adjustments	\$0		\$0 (\$13,103,684)	(\$13,103,684)
CP 99 Item	General Fund	State Special	Federal Special	Total Funds
Reorganization	\$0		\$0 (\$6,268,100)	(\$6,268,100)
Other	-	-	(6,835,584)	(6,835,584)
Legislative Present Law Adjustments	\$0		\$0 (\$13,103,684)	(\$13,103,684)

The transfer of the HOME Program to the Community Development Division are reflected in the reorganization. Reductions in federal grants make up the differences as shown in the other line of the table.

Other Issues -*Proprietary Program Description***Montana Board of Housing – 06030, 06031, 06032, 06078, 06079**

The Montana Housing Act of 1975 created the Montana Board of Housing. The board is an agency of the state and operates within the Department of Commerce for administrative purposes. The powers of the board are vested in a seven member board, appointed by the Governor, subject to the confirmation of the State Senate. The board provides policy direction to the agency staff, authorizes bond issues, approves development financing, and evaluates Board of Housing Programs. These programs include the Homeownership Program, Multifamily Loan Programs, Low Income Housing

Tax Credit Program, Housing Revolving Loan Fund, and the Reverse Annuity Mortgage (RAM) Program.

The Board of Housing is funded by five enterprise funds with revenues derived from an administrative charge applied to projects and mortgages financed. As such, the legislature does not approve rates for this program. There are no direct appropriations provided in HB 2.

Expenditures:

Even though the BOH is supported by enterprise funds, the legislature can indicate its intent in relation to expenditures of the program. The figure that follows shows the proposed expenditures for the BOH, Section 8 programs, and loan servicing.

Board of Housing					
Program	Actual FY 2014	Proposed FY 2016	% Change	Proposed FY 2017	% Change
Tenant Based Section 8 Housing					
FTE	11.00	11.50	4.55%	11.50	4.55%
Personal Services	\$650,249	\$730,162	10.94%	\$731,233	12.45%
Operating Expenses	1,678,316	1,716,179	2.21%	1,703,688	1.51%
Benefits & Claims	<u>17,385,708</u>	<u>19,626,663</u>	<u>11.42%</u>	<u>20,019,171</u>	<u>15.15%</u>
Total Expenditures	19,714,273	22,073,004	10.69%	22,454,092	13.90%
Project Based Section 8 Housing					
FTE	9.50	9.83	3.36%	9.83	3.47%
Personal Services	562,739	676,705	16.84%	676,211	20.16%
Operating Expenses	252,251	284,429	11.31%	272,748	8.13%
Benefits & Claims	<u>18,614,554</u>	<u>18,996,095</u>	<u>2.01%</u>	<u>19,376,017</u>	<u>4.09%</u>
Total Expenditures	19,429,544	19,957,229	2.64%	20,324,976	4.61%
Loan Servicing					
FTE	9.50	13.50	29.63%	13.50	42.11%
Personal Services	416,702	828,440	49.70%	828,187	98.75%
Operating Expenses	<u>242,862</u>	<u>673,202</u>	<u>63.92%</u>	<u>647,803</u>	<u>166.74%</u>
Total Expenditures	659,564	1,501,642	56.08%	1,475,990	123.78%
Board of Housing					
FTE	16.50	16.50	0.00%	16.50	0.00%
Personal Services	1,228,605	1,170,247	-4.99%	1,172,795	-4.54%
Operating Expenses	1,517,188	1,214,659	-24.91%	1,192,838	-21.38%
Equipment & Intangibles	<u>5,345</u>	<u>5,345</u>	<u>0.00%</u>	<u>5,345</u>	<u>0.00%</u>
Total Expenditures	2,751,138	2,390,251	-15.10%	2,370,978	-13.82%
Total Proposed Budget					
FTE	46.50	51.33	9.41%	51.33	10.39%
Personal Services	2,858,295	3,405,554	16.07%	3,408,426	19.25%
Operating Expenses	3,690,617	3,888,469	5.09%	3,817,077	3.43%
Equipment & Intangibles	5,345	5,345	0.00%	5,345	0.00%
Benefits & Claims	<u>36,000,262</u>	<u>38,622,758</u>	<u>6.79%</u>	<u>39,395,188</u>	<u>9.43%</u>
Total Expenditures	<u>\$42,554,519</u>	<u>\$45,922,126</u>	<u>7.33%</u>	<u>\$46,626,036</u>	<u>9.57%</u>

As shown, the executive proposes reductions in the personal services and operating expenses for the Board of Housing while showing significant increases to the loan servicing function. According to the BOH, in FY 2014 a number of operating costs were recorded for the Board of Housing that should have been recorded as loan servicing costs. A reduction of \$294,000 is proposed for the Board of Housing to correctly reflect the anticipated operating expenses in the 2017 biennium. A corresponding increase is included within the proposed budget for the Loan Servicing Program.

The Loan Servicing Program also proposes to add an additional 4.00 FTE and \$448,076 in costs for personal services over the biennium including:

- 1.00 FTE administrative assistant
- 1.00 FTE program specialist
- 2.00 FTE accounting technicians

The loan servicing program was implemented in August 2011.

BOH issues bonds each year to purchase new mortgages. Once the bonds are sold, the BOH must repay the bondholders by making interest and principal payments. BOH is required to use mortgage and investment income to pay bondholders, buy mortgages, or pay operating costs. Bond debt payments are the most significant cost of the BOH at \$24.2 million in FY 2014, and \$29.1 million in FY 2016 and \$31.3 million in FY 2017 proposed by the executive. These costs are considered debt service and are presented in the 2017 Biennium Report on Internal Service and Enterprise Funds on the next page.

Revenues

BOH's income is derived primarily from mortgage and investment income. Mortgage income is the interest people pay on BOH loans and is limited by the Internal Revenue Service as a condition of using tax-free bonds as a financing source. Mortgage income is also controlled by the national financial markets, which set both mortgage rates and bond financing rates. Investment income comes from interest earned on investing reserves the BOH is required to hold and bond and program moneys not yet used to buy mortgages or pay bondholders. Both future mortgage and investment income depends on the interest rate environment, which is determined by the national financial markets. Anticipated revenues for the 2017 biennium are shown on the following page.

2017 Biennium Report on Internal Service and Enterprise Funds - WITHOUT OPEB

Fund	Fund Name	Agency #	Program Name			
06030	BOH Financial Programs	65010	Housing Division - Board of Housing			
06031	Housing Trust Fund					
06032	BOH Loan Servicing					
06078	Affordable Housing Revolving					
06079	Revolving Loan - TANF					

	Actual FY14	Budgeted FY15	Budgeted FY16	Budgeted FY17
Operating Revenues				
Fees and Charges				
Administrative Fees	\$93,793	\$76,222	\$81,305	\$81,305
Investment Earnings	3,595,598	2,921,985	3,116,873	3,116,873
Securities Lending Income	505	410	439	439
Other Operating Revenues	25,230,748	27,785,366	29,922,981	31,853,621
Total Operating Revenues	28,920,644	30,783,983	33,121,598	35,052,238
Expenses				
Personal Services	1,674,445	1,858,093	1,998,687	2,000,982
Other Operating Expense	2,513,358	1,903,195	1,893,206	1,845,986
Debt Service	24,233,410	26,959,725	29,064,259	31,255,386
Total Operating Expense	28,421,213	30,721,013	32,956,152	35,102,354
Operating Income (Loss)	499,431	62,970	165,446	(50,116)
Income (Loss) Before Contributions and Transfers	499,431	62,970	165,446	(50,116)
Change in Net Position	499,431	62,970	165,446	(50,116)
Beginning Net Position - July 1	157,530,106	152,073,759	152,136,729	152,302,175
Prior Period Adjustments	(5,955,778)	-	-	-
Change in Net Position	499,431	62,970	165,446	(50,116)
Ending Net Position - June 30	152,073,759	152,136,729	152,302,175	152,252,059
Net Position (Fund Balance) Analysis				
Restricted Net Position (Enterprise Funds Only)	\$152,073,759	\$152,136,729	\$152,302,175	\$152,252,059
Unrestricted Net Position				

Rate(s) and Rate Explanation:

BOH recovers its costs from charging application and compliance fees for the Low Income Tax Credit Program and from charging a spread on loan programs.

Requested Rates for Enterprise Funds FeeRate Information					
Fee		Actual FY 14	Budgeted FY 15	Budgeted FY 16	Budgeted FY 17
Cancellation fees-Single Family Program	1/2 of 1% of the loan amount reserved	No Change	No Change	No Change	No Change
Extension Fee	1/4 of 1% of the loan amt for 30 days	No Change	No Change	No Change	No Change
Late Fee	1/2 of 1% of the loan amt for 30 days	No Change	No Change	No Change	No Change
Pre 1980 Single Family Programs	1 1/2% spread between mortgage interest rate and bond yield. No limit on investment earnings	No Change	No Change	No Change	No Change
Post Single Family Programs	1 1/8% spread between mortgage interest rate and bond yield. Investment earnings limited to the bond yield	No Change	No Change	No Change	No Change
Pre 1986 Multifamily Program	1 1/2% spread between the mortgage interest rate and the bond yield. No limit on investment earnings	No Change	No Change	No Change	No Change
Post 1986 Multifamily Program	1 1/2% spread between the mortgage interest rate and the bond yield. Investment earnings limited to the bond yield	No Change	No Change	No Change	No Change
Multifamily Reservation Fee	up to 1% of the loan amount reserved	No Change	No Change	No Change	No Change
PreApp/10%Final Fees-Housing Credit Program		\$750	\$750	\$1,000	\$1,000
Reservation fees-Housing Credit Program	% of the tax credit amount reserved	5.00%	6.00%	6.00%	6.00%
Compliance fees-Housing Credit Program	per unit	\$40	\$40	\$45	\$45
Interest income on reverse annuity mortgage loans	5% (new) 7% (old) loans	No Change	No Change	No Change	No Change
Housing Revolving Loan Fund (HRLA)	variable rates ranging from 2% to 6%	No Change	No Change	No Change	No Change
Interest on Investments	STIP investment rate	No Change	No Change	No Change	No Change

This program is funded with an enterprise type proprietary fund. As such, the legislature does not appropriate funds or approve rates for the program. Instead, the legislature reviews the report for the enterprise fund and identifies any concerns with the financial position of the fund.

HUD Section 8 Project Based - 06074

Program Description:

The Project Based Section 8 Program is the HUD contract administrator for low-income rental properties HUD subsidizes throughout the state. The program provides rental assistance to projects at fixed locations instead of the tenants. Landlords perform administrative tasks at the local level. The agency performs annual property reviews, oversees property management, and makes rent subsidy payments to owners. The agency earns fees from HUD under a performance-based contract for the tasks performed. The Project Based Section 8 Program renews rent contracts to project owners as they expire. Contract managers prepare special damage claims and annual rent increases, respond to emergencies, check

compliance for fair housing and waiting lists, conduct on-site management reviews, follow-up to physical inspections, review of management decisions, and budget assistance to local property owners.

Expenses:

In addition to the increases applicable to the agency as a whole, personal service costs increase due to:

- Proposal to add 0.33 FTE program specialist position
- Reclassifying a program specialist as a program manager
- Fully funding positions that had funding reduced by 4% in the 2015 biennium

Operating expense increases are for fixed costs such as insurance, SITSD costs, rent, and indirect costs to support the Director's Office.

Revenues

Revenues are generated in the Project Based Section 8 Contract Administration under a HUD performance based contract using 17 Incentive Based Performance Standards calculated by HUD monthly, quarterly, and annually. Revenues generated are required to be used for contract administration. Rental Assistance payments are made based on contracts negotiated by the program staff and tenant income data. Payments are paid and reimbursed monthly by HUD, based on actual program benefits paid to owners.

Projected revenues are reflected in the 2017 Biennium Report on Internal Service and Enterprise Funds on the following page.

2017 Biennium Report on Internal Service and Enterprise Funds - WITHOUT OPEB

Fund	Fund Name	Agency #	Program Name			
06074	SEC 8 Project Based	65010	Housing Division - PB Section 8			

	Actual FY14	Budgeted FY15	Budgeted FY16	Budgeted FY17
Operating Revenues				
Fees and Charges				
Investment Earnings	\$11,940	\$4,020	\$12,747	\$13,127
Securities Lending Income	6	-		
Other Operating Revenues	19,563,866	20,150,782	20,755,305	21,377,964
Total Operating Revenues	19,575,812	20,154,802	20,768,052	21,391,091
Expenses				
Personal Services	568,732	488,053	676,705	676,211
Other Operating Expense	18,867,307	20,874,971	19,280,524	19,648,765
Total Operating Expense	19,436,039	21,363,024	19,957,229	20,324,976
Operating Income (Loss)	139,773	(1,208,222)	810,823	1,066,115
Nonoperating Revenues (Expenses)				
Nonoperating Expenses				
Other Expense A	(300,000)	-	-	-
Total Nonoperating Revenues (Expenses)	(300,000)	-	-	-
Income (Loss) Before Contributions and Transfers	(160,227)	(1,208,222)	810,823	1,066,115
Change in Net Position	(160,227)	(1,208,222)	810,823	1,066,115
Beginning Net Position - July 1	3,834,679	3,674,452	2,466,230	3,277,053
Prior Period Adjustments	-	-	-	-
Change in Net Position	(160,227)	(1,208,222)	810,823	1,066,115
Ending Net Position - June 30	3,674,452	2,466,230	3,277,053	4,343,168
Net Position (Fund Balance) Analysis				
Restricted Net Position (Enterprise Funds Only)	-	-	-	-
Unrestricted Net Position	\$3,674,452	\$2,466,230	\$3,277,053	\$4,343,168

Rate(s) and Rate Explanation:

The Project Based Section 8 Contract Administration is funded through a performance based contract with HUD, based on a 5 year renewable RFP. Retained earnings are to be used for operations of this program. Funding for rents is paid by HUD based on actual contracts negotiated between the department and the individual owners of the projects, set up on a procedure dictated by HUD.

This program is funded with an enterprise type proprietary fund. As such, the legislature does not appropriate funds or approve rates for the program. Instead, the legislature reviews the report for the enterprise fund and identifies any concerns with the financial position of the fund.

Requested Rates for Enterprise Funds				
Fee/Rate Information				
	Actual FY 14	Budgeted FY 15	Budgeted FY 16	Budgeted FY 17
Administration Contract				
Rate	2.00%	2.00%	2.00%	2.00%
Base fee rate paid by HUD = 2% time Fair Market Rent for all projects under ACC contract for standard performance, as judged by HUD monthly, quarterly and annually.				
Administration Contract				
Rate	1.00%	1.00%	1.00%	1.00%
Performance fee incentive rate based on 17 Incentive Based Performance Standards (IBPS), graded monthly, quarterly, and annually by HUD. Can be either positive or negative, based on whether time standards and performance requirements are met on each of the 17 IBPS standards.				
Rate 3 (per unit)				
Rents Contract				
Rate	100.00%	100.00%	100.00%	100.00%
Amounts for rentals are based on 100% of contracted amounts per unit each month, less tenant share of rents.				

HUD Section 8 Housing program – Tenant Based - 06075

HUD Section 8 Mod Rehab - Tenant Based - 06085

Program Description:

The tenant based Section 8 program provides rent assisted units for very low income families (including elderly and disabled) to ensure they have decent, safe, and sanitary housing, using HUD Section 8 Housing Choice Vouchers and Moderate Rehabilitation programs. The program operates on a first come, first serve basis statewide, through a network of field agencies the department contracts with for administration of local operations in the program. Leases are entered on the open rental market between tenants and private landlords. The program makes a subsidy payment to the property owner on behalf of the tenant. Payments are based on applicable unit rent limits and tenants generally pay 30% of their income towards rent and utilities.

Expenses:

In addition to the increases applicable to the agency as a whole, personal service costs increase due to a proposal to add 0.50 FTE accountant position.

Operating expenses rise due to indirect costs allocated by the Director's Office, rent, SITSD costs, and human resource information system costs.

Revenues

The Tenant Based Section 8 program is supported by the enterprise fund with revenues derived from a performance based Annual Contribution Contract with HUD. Revenues for the Tenant Based Section 8 program are generated per unit for each rental unit under lease each month.

2017 Biennium Report on Internal Service and Enterprise Funds - WITHOUT OPEB

Fund	Fund Name	Agency #	Program Name			
06075	HUD Section 8 Housing Program	65010	Housing Division - TB Section 8			
06085	HUD Section 8 Mod Rehab		Housing Division - TB Section 8			

	Actual FY14	Budgeted FY15	Budgeted FY16	Budgeted FY17
Operating Revenues				
Fees and Charges				
Investment Earnings	\$7,400	\$6,588	\$7,850	\$8,085
Securities Lending Income	-	-	-	-
Other Operating Revenues	20,655,195	21,732,723	22,368,082	23,029,282
Total Operating Revenues	20,662,595	21,739,311	22,375,932	23,037,367
Expenses				
Personal Services	644,637	844,844	730,162	731,233
Other Operating Expense	19,189,823	22,453,247	21,342,842	21,722,859
Total Operating Expense	19,834,460	23,298,091	22,073,004	22,454,092
Operating Income (Loss)	828,135	(1,558,780)	302,928	583,275
Income (Loss) Before Contributions and Transfers	828,135	(1,558,780)	302,928	583,275
Change in Net Position	828,135	(1,558,780)	302,928	583,275
Beginning Net Position - July 1	5,115,801	5,943,936	4,385,156	4,688,084
Prior Period Adjustments	-	-	-	-
Change in Net Position	828,135	(1,558,780)	302,928	583,275
Ending Net Position - June 30	5,943,936	4,385,156	4,688,084	5,271,359
Net Position (Fund Balance) Analysis				
Restricted Net Postion (Enterprise Funds Only)				
Unrestricted Net Position	\$5,943,936	\$4,385,156	\$4,688,084	\$5,271,359

Projected revenues are reflected in the 2017 Biennium Report on Internal Service and Enterprise Funds above.

Rate(s) and Rate Explanation:

Fund revenues are derived from competitively awarded performance based Annual Contribution Contracts with HUD, and the program is completely self-supporting. The department is the only statewide housing authority in Montana and specifically budgeted for in HUD's ongoing appropriation for Tenant Based Section 8.

Requested Rates for Enterprise Funds				
Fee/Rate Information				
	Actual FY 14	Budgeted FY 15	Budgeted FY 16	Budgeted FY 17
Administration Contract				
Rate	\$ 57.51	\$ 57.51	\$ 57.51	\$ 57.51
Base fee rate paid by HUD = \$45.79 per unit per month under lease for Housing Choice Vouchers, and \$45.79 per month for each unit under HAP contract on Mod Rehab. Estimate increases of 3.5% per year for FY 2006 and FY 2007.				
Under HUD contract, for every family with 3 or more minors which either leases the first time or moves; HUD will pay a fee of \$75.00.				
Homeownership Start-up Fee				
Rate	\$200.00	\$200.00	\$200.00	\$200.00
Under HUD contract, for every family the program starts in Homeownership Vouchers Homeownership Assistance, HUD allows a fee of \$1,000.				
Project Based Section 8 Opt-Out Start-up Fee				
Rate	\$250.00	\$250.00	\$ 250.00	\$ 250.00
Under HUD contract, for every unit HUD approves transferring from Project Based Section 8 to the Housing Choice Vouchers Program, HUD provides reimbursement of start-up expenses of \$250.				
Rents Contract				
Rate	100.00%	100.00%	100.00%	100.00%
Amounts for rentals are based on 100% of contracted amounts per unit each month, less tenant share of rents.				

This program is funded with an enterprise type proprietary fund. As such, the legislature does not appropriate funds or approve rates for the program. Instead, the legislature reviews the report for the enterprise fund and identifies any concerns with the financial position of the fund.