

Agency Budget Comparison

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

Agency Budget Comparison								
Budget Item	Base Fiscal 2014	Approp. Fiscal 2015	Legislative Budget 2016	Legislative Budget 2017	Biennium Fiscal 14-15	Biennium Fiscal 16-17	Biennium Change	Biennium % Change
FTE	49.25	49.25	50.04	50.04	49.25	50.04	0.79	1.60 %
Personal Services	3,100,195	3,700,449	3,886,255	3,897,283	6,800,644	7,783,538	982,894	14.45 %
Operating Expenses	3,869,520	7,155,639	7,887,887	7,896,738	11,025,159	15,784,625	4,759,466	43.17 %
Grants	10,054,807	18,259,960	19,101,325	17,518,674	28,314,767	36,619,999	8,305,232	29.33 %
Benefits & Claims	157,063	358,921	358,921	358,921	515,984	717,842	201,858	39.12 %
Transfers	0	0	0	0	0	0	0	0.00 %
Total Costs	\$17,181,585	\$29,474,969	\$31,234,388	\$29,671,616	\$46,656,554	\$60,906,004	\$14,249,450	30.54 %
General Fund	3,455,383	4,486,833	7,298,098	5,784,633	7,942,216	13,082,731	5,140,515	64.72 %
State/Other Special Rev. Funds	3,188,483	7,106,724	5,247,759	5,206,949	10,295,207	10,454,708	159,501	1.55 %
Federal Spec. Rev. Funds	10,537,719	17,881,412	18,688,531	18,680,034	28,419,131	37,368,565	8,949,434	31.49 %
Total Funds	\$17,181,585	\$29,474,969	\$31,234,388	\$29,671,616	\$46,656,554	\$60,906,004	\$14,249,450	30.54 %

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Executive Budget Comparison

The following table compares the legislative budget for the 2017 biennium to the budget requested by the Governor, by type of expenditure and source of funding.

Executive Budget Comparison								
Budget Item	Base Budget Fiscal 2014	Executive Budget Fiscal 2016	Legislative Budget Fiscal 2016	Leg — Exec. Difference Fiscal 2016	Executive Budget Fiscal 2017	Legislative Budget Fiscal 2017	Leg — Exec. Difference Fiscal 2017	Biennium Difference Fiscal 16-17
FTE	49.25	52.04	50.04	(2.00)	52.04	50.04	(2.00)	(2.00)
Personal Services	3,100,195	4,081,184	3,886,255	(194,929)	4,087,532	3,897,283	(190,249)	(385,178)
Operating Expenses	3,869,520	7,019,418	7,887,887	868,469	6,972,402	7,896,738	924,336	1,792,805
Grants	20,109,614	39,624,554	38,202,650	(1,421,904)	38,469,578	35,037,348	(3,432,230)	(4,854,134)
Benefits & Claims	157,063	370,731	358,921	(11,810)	370,731	358,921	(11,810)	(23,620)
Transfers	0	4,750,000	0	(4,750,000)	4,750,000	0	(4,750,000)	(9,500,000)
Total Costs	\$27,236,392	\$55,845,887	\$50,335,713	(\$5,510,174)	\$54,650,243	\$47,190,290	(\$7,459,953)	(\$12,970,127)
General Fund	3,455,383	8,871,346	7,298,098	(1,573,248)	8,485,596	5,784,633	(2,700,963)	(4,274,211)
State/Other Special Rev. Funds	3,188,483	6,493,120	5,247,759	(1,245,361)	6,452,409	5,206,949	(1,245,460)	(2,490,821)
Federal Spec. Rev. Funds	10,537,719	18,294,144	18,688,531	394,387	18,102,449	18,680,034	577,585	971,972
Total Funds	\$17,181,585	\$33,658,610	\$31,234,388	(\$2,424,222)	\$33,040,454	\$29,671,616	(\$3,368,838)	(\$5,793,060)

There are three primary differences between the executive's proposed budget and the legislature's adopted budget. The legislature:

1. Eliminated of \$1.4 million of state special revenue funding for loans made in the microbusiness loan program, however the legislature provided trigger language allowing additional expenditures if the level of funding for the microbusiness loan program exceeds \$550,000. The funding was aligned to the highest amount of loans made in the last two biennia;

2. Provided \$275,000 of the \$5.50 million in general fund requested to enhance existing economic development programs within the Department of Commerce;
3. Provided \$1.5 million in general fund for infrastructure grants to youth recreational facilities; and
4. Provided \$0.2 million in general fund for grants to the Montana Manufacturing Extension Center supporting engineering consulting services.

Agency Highlights

Department of Commerce Major Budget Highlights	
<ul style="list-style-type: none"> • The legislative budget increased 30.5% or \$14.2 million between biennia. • Increases in general fund are primarily due to: <ul style="list-style-type: none"> ◦ Continued funding for economic development programs that were funded as one-time-only in previous biennia ◦ Continued funding for the Native Language Preservation Program ◦ Additional funding to enhance current economic development programs that are statutorily funded ◦ Funding for infrastructure grants to youth recreational facilities ◦ Additional funding for the Montana Manufacturing Extension Center • Federal grant funding increases of \$8.9 million include: <ul style="list-style-type: none"> ◦ Community Development Block Grants ◦ Home Program grants 	

Funding

The following table shows proposed agency funding by source of authority as proposed. Funding for each program is discussed in detail in the individual program narratives that follow.

Total Department of Commerce Funding by Source of Authority 2017 Biennium Budget - Department of Commerce						
Funds	HB2	Non-Budgeted Proprietary	Statutory Appropriation	Total All Sources	% Total All Funds	
General Fund	13,082,731	0	4,750,000	17,832,731	7.51 %	
State Special Total	10,454,708	0	58,468,300	68,923,008	29.04 %	
Federal Special Total	37,368,565	0	95,000	37,463,565	15.79 %	
Proprietary Total	0	110,098,285	3,000,000	113,098,285	47.66 %	
Other Total	0	0	0	0	0.00 %	
Total All Funds	\$60,906,004	\$110,098,285	\$66,313,300	\$237,317,589		
Percent - Total All Sources	25.66 %	46.39 %	27.94 %			

Almost 75% of the overall funding for the Department of Commerce is not budgeted through HB 2 but provided as either non-budgeted proprietary funding or as statutory appropriations.

Within HB 2, the legislature restored several programs that were funded with one-time-only general fund appropriations by the 2013 Legislature. Per state statute, one-time-only appropriations are excluded from the base expenditures for biennial budget projections. The programs included are listed below:

- Primary Business Sector Training - \$1.2 million for the 2017 biennium
- Tribal Economic Development – \$1.6 million for the 2017 biennium
- Native Language Preservation - \$1.5 million over the biennium

General fund also supports the Census and Economic Information Center, Regional Development Bureau, trade and international relations activities, Entrepreneur Development Program /NxLevel, and the Made in Montana program; and provides match for the federal Community Development Block Grant. \$2.5 million of general fund is statutorily appropriated for the Research and Commercialization Program. The legislature also provided \$1.5 million in general fund in FY 2016 for grants for infrastructure improvements to youth recreational facilities and \$0.2 million for the Montana Manufacturing Extension Center.

State special revenues support the Montana Promotion Division, the Microbusiness Loan Program, research and commercialization, the Treasure State Endowment Program, the Coal Board, the Hard Rock Mining Board, Distressed Wood Products Program, quality school project grants, the Big Sky Economic Development Program, and the Montana Heritage Commission. The Montana Heritage Commission is funded with \$400,000 in lodging use facility taxes received each year, a portion of light vehicle registrations, and revenues generated by Virginia City and Nevada City as well as Reeder's Alley. The funding supports 12.00 FTE and the costs of operating the historic properties.

Federal special revenues include the community development block grant, small business development centers, the Montana Council on Developmentally Disabilities, and various programs for housing.

Proprietary

Almost half of the funding for the agency is non-budgeted proprietary funding. Proprietary funds are discussed in detail in the narrative sections of each program.

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	3,161,833	3,161,833	6,323,666	48.34 %	34,009,437	34,009,437	68,018,874	111.68 %
PL Adjustments	248,765	235,300	484,065	3.70 %	(5,462,549)	(5,525,321)	(10,987,870)	(18.04)%
New Proposals	3,887,500	2,387,500	6,275,000	47.96 %	2,687,500	1,187,500	3,875,000	6.36 %
Total Budget	\$7,298,098	\$5,784,633	\$13,082,731		\$31,234,388	\$29,671,616	\$60,906,004	

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	Legislative Budget 2016	Legislative Budget 2017	Biennium Fiscal 14-15	Biennium Fiscal 16-17	Biennium Change	Biennium % Change
FTE	21.84	21.84	24.34	24.34	21.84	24.34	2.50	11.45 %
Personal Services	1,547,886	1,679,604	1,943,933	1,954,664	3,227,490	3,898,597	671,107	20.79 %
Operating Expenses	2,069,032	4,534,472	3,550,301	3,548,784	6,603,504	7,099,085	495,581	7.50 %
Grants	2,318,767	4,688,041	4,762,799	4,749,896	7,006,808	9,512,695	2,505,887	35.76 %
Transfers	0	0	0	0	0	0	0	0.00 %
Total Costs	\$5,935,685	\$10,902,117	\$10,257,033	\$10,253,344	\$16,837,802	\$20,510,377	\$3,672,575	21.81 %
General Fund	2,735,505	3,738,352	5,018,061	5,019,616	6,473,857	10,037,677	3,563,820	55.05 %
State/Other Special Rev. Funds	651,289	2,989,365	1,011,572	1,010,490	3,640,654	2,022,062	(1,618,592)	(44.46)%
Federal Spec. Rev. Funds	2,548,891	4,174,400	4,227,400	4,223,238	6,723,291	8,450,638	1,727,347	25.69 %
Total Funds	\$5,935,685	\$10,902,117	\$10,257,033	\$10,253,344	\$16,837,802	\$20,510,377	\$3,672,575	21.81 %

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Funding

HB 2 Funding

General fund supports a number of functions including technology research programs, the Montana Capital Investment Board, the Census and Economic Information Center, tribal economic development, the Made in Montana program, regional development programs, and international relations programs. The general fund increase is primarily due to continue funding for economic development programs that had been designated as one-time-only in the previous biennia.

State special revenues include authority for loans made through Small Business Development Centers to micro-business development centers. The legislature reduced appropriations for the loans match appropriations with loans made within the program.

Federal special revenues are mainly comprised of federal funding for community development block grants and small business development centers.

Statutory Appropriations

Over half of the funding in the Business Resource Division is statutorily appropriated. The legislature may effect change in these appropriations through changes to the statutes providing the authority for the program. General fund for the research and commercialization program and business and economic development programs is provided in statute.

State special revenues include funding for the Distressed Wood Products Program, research and development funds that are transferred from the general fund, and the economic development trust fund account that receives interest and income from the coal tax trust.

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	2,413,352	2,413,352	4,826,704	48.09 %	8,777,117	8,777,117	17,554,234	85.59 %
PL Adjustments	217,209	218,764	435,973	4.34 %	292,416	288,727	581,143	2.83 %
New Proposals	2,387,500	2,387,500	4,775,000	47.57 %	1,187,500	1,187,500	2,375,000	11.58 %
Total Budget	\$5,018,061	\$5,019,616	\$10,037,677		\$10,257,033	\$10,253,344	\$20,510,377	

Present Law Adjustments -

The "Present Law Adjustments" table shows the changes from FY 2015 legislative appropriation to the budget proposed. Each is discussed in the narrative that follows.

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 510 - Legislative Audit - HB 2 2014 Fixed Costs (Restricted/Biennia										
0.00	3,448	1,150	3,066	7,664		0.00	0	0	0	0
DP 515 - State Share Health Insurance										
0.00	4,780	1,138	4,453	10,371		0.00	4,780	1,138	4,453	10,371
DP 520 - Fully Fund 2015 Legislatively Authorized FTE										
0.00	17,562	14,503	30,883	62,948		0.00	17,562	14,503	30,883	62,948
DP 525 - Fixed Costs Adjustment										
0.00	6,059	3,787	9,088	18,934		0.00	5,981	3,738	8,972	18,691
DP 526 - 2017 Biennium Legislative Audit (Restricted /Biennial)										
0.00	895	(117)	980	1,758		0.00	0	0	0	0
DP 527 - Inflation Deflation Adjustment										
0.00	(2,172)	0	0	(2,172)		0.00	(2,016)	0	0	(2,016)
DP 529 - Longevity and Other adjustments										
0.00	(10,083)	0	0	(10,083)		0.00	(4,255)	0	0	(4,255)
DP 531 - SITSD Rate Adjustment										
0.00	3,732	3,180	8,251	15,163		0.00	3,732	3,180	8,251	15,163
DP 532 - General Liability Insurance Rate Adjustment										
0.00	(1,683)	(1,434)	(3,721)	(6,838)		0.00	(1,683)	(1,434)	(3,721)	(6,838)
DP 550 - Motor Pool Adjustment										
0.00	(541)	0	0	(541)		0.00	(549)	0	0	(549)
DP 5100200 - FTE Transferred from Governor's Office										
0.00	130,137	0	0	130,137		0.00	130,137	0	0	130,137
DP 5100220 - Montana SBIR/STTR Program (Restricted/Biennial)										
0.00	0	0	0	0		0.00	0	0	0	0
DP 5100230 - Operating transferred from the Governor's Off										
0.00	65,075	0	0	65,075		0.00	65,075	0	0	65,075
DP 5100444 - Statewide 4% FTE Reduction - Program 51										
(0.50)	0	0	0	0		(0.50)	0	0	0	0
Grand Total All Present Law Adjustments										
(0.50)	\$217,209	\$22,207	\$53,000	\$292,416		(0.50)	\$218,764	\$21,125	\$48,838	\$288,727

***Total Funds" amount includes funding from sources other than General Fund, State Special, or Federal Special (i.e. Proprietary).

DP 510 - Legislative Audit - HB 2 2014 Fixed Costs (Restricted/Biennia -

The legislature provided a restricted biennial appropriation for the legislative audit costs. The funding is established at the level of the 2015 biennial appropriation contained in HB 2 as enacted by the 2013 Legislature.

DP 515 - State Share Health Insurance -

The legislature provided appropriation authority for the state share of health insurance, as adopted by the 2013 Legislature.

DP 520 - Fully Fund 2015 Legislatively Authorized FTE -

The legislature provided appropriation authority to restore personal services funding to create a vacancy savings rate of zero.

DP 525 - Fixed Costs Adjustment -

The legislature adopted proprietary rates for fixed costs charged to state agencies for services such as information technology or rent and grounds maintenance within the capitol complex. Rates for messenger services, legislative audit, grounds maintenance, records management, agency legal costs, and the statewide cost allocation plan were adopted as proposed by the executive. The legislature lowered proprietary rates for warrant writer, payroll services, SABHRS, SITSD fees, and rent. The legislature increased insurance premiums to provide for increased costs of claims and to establish a reserve for the insurance fund.

DP 526 - 2017 Biennium Legislative Audit (Restricted /Biennial) -

The legislature adjusted legislative audit costs and funding based on the current estimate of the Legislative Auditor.

DP 527 - Inflation Deflation Adjustment -

The legislature adopted inflation/deflation factors for budgeted expenditures such as food or electricity. The legislature concurred with the executive on the factors with the exception of gasoline, aviation gasoline, diesel fuel, and jet fuel. For these factors the legislature further deflated costs to align the budget with more current information on declining prices of oil and gas projected to continue into the 2017 biennium.

DP 529 - Longevity and Other adjustments -

The legislature adopted personal service adjustments for unemployment insurance, workers compensation rates, longevity, retirement, and health benefits.

DP 531 - SITSD Rate Adjustment -

The legislature approved an increase for fixed cost rates included in state agency budgets for information technology services provided by the State Information Technology Services Division (SITSD).

DP 532 - General Liability Insurance Rate Adjustment -

The legislature reduced the rate assessed to state agencies for general liability insurance provided by the Risk Management and Tort Defense Division.

DP 550 - Motor Pool Adjustment -

The legislature adopted a reduction to the motor pool rates.

DP 5100200 - FTE Transferred from Governor's Office -

The legislature approved the transfer of 2.00 FTE and related general fund from the Governor's Office of Economic Development to the Business Resources Division.

DP 5100220 - Montana SBIR/STTR Program (Restricted/Biennial) -

The legislature provided a restricted biennial appropriation to provide matching funds for Montana businesses that qualify for direct federal grants under the Small Business Innovation Research/Small Business Technology Transfers (SBIR/STTR) Program.

DP 5100230 - Operating transferred from the Governor's Off -

The legislature approved the transfer of general fund from the Governor's Office to the Business Resources Division for operating expenses tied to the positions transferred from the Office of Economic Development.

DP 5100444 - Statewide 4% FTE Reduction - Program 51 -

The 2015 biennium budget included a 4% vacancy savings reduction. Language included in the boilerplate of HB 2 passed by the 2013 Legislature, indicated legislative intent that the 4% vacancy savings be made permanent as an FTE reduction for the 2017 biennium. Change package PL-5100444 includes a reduction of 0.50 FTE each year.

New Proposals -

The "New Proposals" table shows the changes from the legislative appropriation for FY 15 to the proposed budget.

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 5100210 - Microbusiness loans - appropriate to actuals	0.00	0	(1,450,000)	0	(1,450,000)	0.00	0	(1,450,000)	0	(1,450,000)
DP 5100240 - Montana Manufacturing Extension Service (Restricted)	0.00	100,000	0	0	100,000	0.00	100,000	0	0	100,000
DP 5100250 - Gap Financing Program (Biennial/OTO)	0.00	0	250,000	0	250,000	0.00	0	250,000	0	250,000
DP 5105101 - Primary Business Sector Training (Restricted/OTO)	2.00	600,000	0	0	600,000	2.00	600,000	0	0	600,000
DP 5105102 - Indian Country Economic Development (Restricted/OTO)	1.00	800,000	0	0	800,000	1.00	800,000	0	0	800,000
DP 5105106 - Enhance Economic Development in Montana (RST/BIEN/OTO)	0.00	137,500	0	0	137,500	0.00	137,500	0	0	137,500
DP 5105107 - Native Language Preservation (Restricted/Biennial/OTO)	0.00	750,000	0	0	750,000	0.00	750,000	0	0	750,000
Total	3.00	\$2,387,500	(\$1,200,000)	\$0	\$1,187,500	3.00	\$2,387,500	(\$1,200,000)	\$0	\$1,187,500

***Total Funds" amount includes funding from sources other than General Fund, State Special, or Federal Special (i.e. Proprietary).

DP 5100210 - Microbusiness loans - appropriate to actuals -

The legislature reduced state special revenue funding for microbusiness loans to the highest level of spending by the program in the last two biennia. The legislature provided trigger language allowing additional appropriation authority if the funding in the account exceeds \$550,000 in either year of the 2017 biennium.

DP 5100240 - Montana Manufacturing Extension Service (Restricted) -

The legislature provided \$100,000 in general fund each year of the biennium for provide for engineering consulting services for the Montana Manufacturing Extension Service.

DP 5100250 - Gap Financing Program (Biennial/OTO) -

The legislature provided \$250,000 in state special revenue from the big sky economic development trust income account to allow for gap financing for Indian tribes in Montana.

DP 5105101 - Primary Business Sector Training (Restricted/OTO) -

The legislature provided support for the Primary Sector Workforce Training Program to provide grant funds to new and existing Montana businesses to train new employees. A seven member grant review committee consisting of both public and private members reviews applications and allocates funding through the Department of Commerce. The \$0.6 million in general fund each year of the biennium are designated as one-time-only and restricted.

DP 5105102 - Indian Country Economic Development (Restricted/OTO) -

The legislature provided a one-time-only restricted appropriation of \$0.8 million general fund each year of the biennium to support the Indian Country Economic Development (ICED) Program. The program: 1) provides technical assistance and financial resources to existing tribal businesses to help them expand operations and facilities and train and employs new workers; 2) assists in the development of start-up tribal businesses; and 3) delivers business skills training to the growing numbers of Indian entrepreneurs and helps Native American businesses access capital.

DP 5105106 - Enhance Economic Development in Montana (RST/BIEN/OTO) -

The legislature provided \$275,000 in general fund as a restricted, biennial, and one-time-only appropriation to enhance economic development programs within Commerce. The Small Business Development Centers are to receive \$15,625 each year, Small Business Innovation Research receives \$6,250 each year, the Montana Manufacturing Extension Center receives \$25,000 each year, the Export Trade Enhancement receives \$37,500 each year, and the Certified Regional Development Corporations receive \$53,125 each year.

DP 5105107 - Native Language Preservation (Restricted/Biennial/OTO) -

The legislature provided an additional \$1.5 million in one-time-only general fund to continue the Native Language Preservation Program. The program documents and preserves the Native American languages of the various tribes in Montana. Speakers fluent in the Native American languages would be recorded, and written materials would be developed, to allow younger generations of the various tribes, as well as others, to develop language skills for the various Native American languages.

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	Legislative Budget 2016	Legislative Budget 2017	Biennium Fiscal 14-15	Biennium Fiscal 16-17	Biennium Change	Biennium % Change
Operating Expenses	272,751	750,000	786,741	750,000	1,022,751	1,536,741	513,990	50.26 %
Total Costs	\$272,751	\$750,000	\$786,741	\$750,000	\$1,022,751	\$1,536,741	\$513,990	50.26 %
State/Other Special Rev. Funds	272,751	750,000	786,741	750,000	1,022,751	1,536,741	513,990	50.26 %
Total Funds	\$272,751	\$750,000	\$786,741	\$750,000	\$1,022,751	\$1,536,741	\$513,990	50.26 %

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Funding

The Montana Promotion Division is funded entirely with state special revenues. The primary funding source is a portion of the statutorily appropriated 7% accommodations tax. The funding table denotes the funding provided in HB 2 and the statutorily appropriated funds.

HB 2

The portion of the division's budget that is considered by the legislature in HB 2 is less than 4% of the division's total budget for the 2017 biennium. \$750,000 each year is from private contributions to joint private/state targeted advertising campaigns. The remaining funding is appropriated from a portion of the 4% Montana lodging facility use tax for legislative audit costs.

Statutory Appropriations

The majority of the lodging facility use taxes are statutorily appropriated to the division. The legislature can affect change to these appropriations through amendments to the statutes listed in the funding tables. For additional information on the history, distribution, and division uses of the funds see the appendix for the Department of Commerce.

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	0	0	0	0.00 %	750,000	750,000	1,500,000	0.00 %
PL Adjustments	0	0	0	0.00 %	36,741	0	36,741	0.00 %
New Proposals	0	0	0	0.00 %	0	0	0	0.00 %
Total Budget	\$0	\$0	\$0		\$786,741	\$750,000	\$1,536,741	

Present Law Adjustments -

The "Present Law Adjustments" table shows the changes from FY 2015 legislative appropriation to the budget proposed. Each is discussed in the narrative that follows.

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 510 - Legislative Audit - HB 2 2014 Fixed Costs (Restricted/Biennia									
0.00	0	36,229	0	36,229	0.00	0	0	0	0
DP 526 - 2017 Biennium Legislative Audit (Restricted /Biennial)									
0.00	0	512	0	512	0.00	0	0	0	0
Grand Total All Present Law Adjustments									
0.00	\$0	\$36,741	\$0	\$36,741	0.00	\$0	\$0	\$0	\$0

***Total Funds" amount includes funding from sources other than General Fund, State Special, or Federal Special (i.e. Proprietary).

DP 510 - Legislative Audit - HB 2 2014 Fixed Costs (Restricted/Biennia -

The legislature provided a restricted biennial appropriation for the legislative audit costs. The funding is established at the level of the 2015 biennial appropriation contained in HB 2 as enacted by the 2013 Legislature.

DP 526 - 2017 Biennium Legislative Audit (Restricted /Biennial) -

The legislature adjusted legislative audit costs and funding based on the current estimate of the Legislative Auditor.

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	Legislative Budget 2016	Legislative Budget 2017	Biennium Fiscal 14-15	Biennium Fiscal 16-17	Biennium Change	Biennium % Change
FTE	26.16	26.16	24.45	24.45	26.16	24.45	(1.71)	(6.54)%
Personal Services	1,538,340	1,923,622	1,834,145	1,834,737	3,461,962	3,668,882	206,920	5.98 %
Operating Expenses	839,674	854,039	2,601,551	2,648,878	1,693,713	5,250,429	3,556,716	210.00 %
Grants	7,282,096	13,021,919	13,696,352	12,126,604	20,304,015	25,822,956	5,518,941	27.18 %
Total Costs	\$9,660,110	\$15,799,580	\$18,132,048	\$16,610,219	\$25,459,690	\$34,742,267	\$9,282,577	36.46 %
General Fund	719,878	748,481	2,280,037	765,017	1,468,359	3,045,054	1,576,695	107.38 %
State/Other Special Rev. Funds	2,194,673	3,069,087	3,117,293	3,114,642	5,263,760	6,231,935	968,175	18.39 %
Federal Spec. Rev. Funds	6,745,559	11,982,012	12,734,718	12,730,560	18,727,571	25,465,278	6,737,707	35.98 %
Total Funds	\$9,660,110	\$15,799,580	\$18,132,048	\$16,610,219	\$25,459,690	\$34,742,267	\$9,282,577	36.46 %

Page Reference

Legislative Budget Analysis, A-263

Funding

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.

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	49.16 %	9,140,112	9,140,112	18,280,224	52.62 %
PL Adjustments	31,556	16,536	48,092	1.58 %	7,491,936	7,470,107	14,962,043	43.07 %
New Proposals	1,500,000	0	1,500,000	49.26 %	1,500,000	0	1,500,000	4.32 %
Total Budget	\$2,280,037	\$765,017	\$3,045,054		\$18,132,048	\$16,610,219	\$34,742,267	

Present Law Adjustments -

The "Present Law Adjustments" table shows the changes from FY 2015 legislative appropriation to the budget proposed. Each is discussed in the narrative that follows.

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 510 - Legislative Audit - HB 2 2014 Fixed Costs (Restricted/Biennia	0.00	1,875	2,945	1,160	5,980	0.00	0	0	0	0
DP 515 - State Share Health Insurance	0.00	1,254	6,159	4,471	11,884	0.00	1,254	6,159	4,471	11,884
DP 520 - Fully Fund 2015 Legislatively Authorized FTE	0.00	5,593	0	0	5,593	0.00	5,593	0	0	5,593
DP 525 - Fixed Costs Adjustment	0.00	3,989	5,540	11,645	21,174	0.00	3,907	5,442	11,478	20,827
DP 526 - 2017 Biennium Legislative Audit (Restricted /Biennial)	0.00	(672)	0	4,067	3,395	0.00	0	0	0	0
DP 527 - Inflation Deflation Adjustment	0.00	(1,279)	0	0	(1,279)	0.00	(1,115)	0	0	(1,115)
DP 529 - Longevity and Other adjustments	0.00	776	3,215	2,305	6,296	0.00	1,453	6,025	4,319	11,797
DP 530 - Reorganization	0.00	0	0	6,659,468	6,659,468	0.00	0	0	6,659,468	6,659,468
DP 550 - Motor Pool Adjustment	0.00	(151)	(273)	(130)	(554)	0.00	(153)	(276)	(133)	(562)
DP 600210 - CDBG Grant Reduction	0.00	(14,311)	0	(811,256)	(825,567)	0.00	(13,305)	0	(882,010)	(895,315)
DP 6000220 - Operating Cost Adjustment	0.00	48,453	30,620	1,540,444	1,619,517	0.00	37,590	28,205	1,610,423	1,676,218
DP 6000230 - Personal Services Changes	0.00	(13,971)	0	0	(13,971)	0.00	(18,688)	0	0	(18,688)
DP 6000240 - Coal Board Funding (Biennial)	0.00	0	0	0	0	0.00	0	0	0	0
DP 6000250 - Hard Rock Mining Board Reserve (Restricted)	0.00	0	0	0	0	0.00	0	0	0	0
DP 6000444 - Statewide 4% FTE Reduction - Program 60	(1.71)	0	0	0	0	(1.71)	0	0	0	0
Grand Total All Present Law Adjustments										
	(1.71)	\$31,556	\$48,206	\$7,412,174	\$7,491,936	(1.71)	\$16,536	\$45,555	\$7,408,016	\$7,470,107

**Total Funds" amount includes funding from sources other than General Fund, State Special, or Federal Special (i.e. Proprietary).

DP 510 - Legislative Audit - HB 2 2014 Fixed Costs (Restricted/Biennia -

The legislature provided a restricted biennial appropriation for the legislative audit costs. The funding is established at the level of the 2015 biennial appropriation contained in HB 2 as enacted by the 2013 Legislature.

DP 515 - State Share Health Insurance -

The legislature provided appropriation authority for the state share of health insurance, as adopted by the 2013 Legislature.

DP 520 - Fully Fund 2015 Legislatively Authorized FTE -

The legislature provided appropriation authority to restore personal services funding to create a vacancy savings rate of zero.

DP 525 - Fixed Costs Adjustment -

The legislature adopted proprietary rates for fixed costs charged to state agencies for services such as information technology or rent and grounds maintenance within the capitol complex. Rates for messenger services, legislative audit, grounds maintenance, records management, agency legal costs, and the statewide cost allocation plan were adopted as proposed by the executive. The legislature lowered proprietary rates for warrant writer, payroll services, SABHRS, SITSD fees, and rent. The legislature increased insurance premiums to provide for increased costs of claims and to establish a reserve for the insurance fund.

DP 526 - 2017 Biennium Legislative Audit (Restricted /Biennial) -

The legislature adjusted legislative audit costs and funding based on the current estimate of the Legislative Auditor.

DP 527 - Inflation Deflation Adjustment -

The legislature adopted inflation/deflation factors for budgeted expenditures such as food or electricity. The legislature concurred with the executive on the factors with the exception of gasoline, aviation gasoline, diesel fuel, and jet fuel. For these factors the legislature further deflated costs to align the budget with more current information on declining prices of oil and gas projected to continue into the 2017 biennium.

DP 529 - Longevity and Other adjustments -

The legislature adopted personal service adjustments for unemployment insurance, workers compensation rates, longevity, retirement, and health benefits.

DP 530 - Reorganization -

The legislature adopted the reorganization of the HOME Program from the Housing Division to the Community Development Program within the department. This included transfers of \$6.7 million in federal revenues in each year of the biennium and 4.12 FTE .

DP 550 - Motor Pool Adjustment -

The legislature adopted a reduction to the motor pool rates.

DP 600210 - CDBG Grant Reduction -

The legislature reduced federal funding for the Community Development Block Grant Program to the level of anticipated expenditures based on available federal funds.

DP 6000220 - Operating Cost Adjustment -

The legislature provided additional funding for increased operating costs including computer equipment, printing costs, and grants.

DP 6000230 - Personal Services Changes -

The legislature adopted personal service changes due to changes in personnel.

DP 6000240 - Coal Board Funding (Biennial) -

The legislature provided funding for the Coal Board as a biennial appropriation.

DP 6000250 - Hard Rock Mining Board Reserve (Restricted) -

The legislature established a restricted reserve for the Hard Rock Mining Board. Statute requires the board to maintain a reserve not to exceed \$100,000. Expenditures may be made from the reserve:

1. For administrative and operating expenses for 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 for the board related to impact plans.

DP 6000444 - Statewide 4% FTE Reduction - Program 60 -

The 2015 biennium budget included a 4% vacancy savings reduction. Language included in the boilerplate of HB 2 passed by the 2013 Legislature, indicated legislative intent that the 4% vacancy savings be made permanent as an FTE reduction for the 2017 biennium. Change package PL-6000444 includes a reduction of 1.71 FTE each year.

New Proposals -

The "New Proposals" table shows the changes from the legislative appropriation for FY 15 to the proposed budget.

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 5105210 - Capital Improvement Grants (Restricted/Biennial/OTO)										
0.00	1,500,000	0	0	1,500,000		0.00	0	0	0	0
Total	0.00	\$1,500,000	\$0	\$0	\$1,500,000	0.00	\$0	\$0	\$0	\$0

***Total Funds" amount includes funding from sources other than General Fund, State Special, or Federal Special (i.e. Proprietary).

DP 5105210 - Capital Improvement Grants (Restricted/Biennial/OTO) -

The legislature provided a one-time-only, restricted, biennial appropriation for capital improvements to youth recreational facilities on school trust lands. Legislative intent is to provide funding to make improvements for water and sewer infrastructure in facilities used to provide activities for Montana youth.

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	Legislative Budget 2016	Legislative Budget 2017	Biennium Fiscal 14-15	Biennium Fiscal 16-17	Biennium Change	Biennium % Change
FTE	3.00	3.00	3.00	3.00	3.00	3.00	0.00	0.00 %
Personal Services	173,357	240,050	266,494	265,950	413,407	532,444	119,037	28.79 %
Operating Expenses	138,804	227,976	160,871	149,715	366,780	310,586	(56,194)	(15.32)%
Capital Outlay	0	31,536	0	0	31,536	0	(31,536)	(100.00)%
Grants	57,000	60,000	60,000	60,000	117,000	120,000	3,000	2.56 %
Transfers	18,833	18,000	19,775	19,775	36,833	39,550	2,717	7.38 %
Total Costs	\$387,994	\$577,562	\$507,140	\$495,440	\$965,556	\$1,002,580	\$37,024	3.83 %
Proprietary Funds	387,994	577,562	507,140	495,440	965,556	1,002,580	37,024	3.83 %
Total Funds	\$387,994	\$577,562	\$507,140	\$495,440	\$965,556	\$1,002,580	\$37,024	3.83 %

Page Reference

Legislative Budget Analysis, A-272

Funding

This program is entirely funded with proprietary rates.

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	0	0	0	0.00 %	559,887	559,887	1,119,774	0.00 %
PL Adjustments	0	0	0	0.00 %	(52,747)	(64,447)	(117,194)	0.00 %
New Proposals	0	0	0	0.00 %	0	0	0	0.00 %
Total Budget	\$0	\$0	\$0		\$507,140	\$495,440	\$1,002,580	

Present Law Adjustments -

The "Present Law Adjustments" table shows the changes from FY 2015 legislative appropriation to the budget proposed. Each is discussed in the narrative that follows.

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 700 - Proprietary Fund Adjustments										
0.00	0	0	0	(52,747)	0.00	0	0	0	(64,447)	
Grand Total All Present Law Adjustments										
0.00	\$0	\$0	\$0	(\$52,747)	0.00	\$0	\$0	\$0	(\$64,447)	

***Total Funds" amount includes funding from sources other than General Fund, State Special, or Federal Special (i.e. Proprietary).

DP 700 - Proprietary Fund Adjustments -

The legislature concurred with changes in the proprietary budget.

Other Issues -

Fund 06012 HFA Loan Program

Fund 06015 Facilities Finance Authority

Program Description

The Authority provides debt financing through a number of programs. The Authority has established reserve requirements for each including:

- Master Loan Program (Capital Reserve Account A) - The Authority designates certain funds equal to 10% of the bonds and loans under contract with the Board of Investments (BOI) for a required reserve. The Authority contracts with BOI to replenish the debt service reserve fund if necessary
- Permanent Coal Tax Trust Loan Program (Capital Reserve Account B) - Statute allows the Authority to make loans up to \$15.0 million from the coal trust for capital projects. The loan amount is reported as investments in the financial statements of the BOI. The Authority designates up to 10% of the amount of outstanding loans made from this program as reserve
- Direct Loan Program – by statute the Authority may make direct loans to eligible facilities for eligible projects including construction and renovation, facility acquisition, refinancing of qualified outstanding debt, or purchase of equipment. Funding for the loans is derived from the revenues deposited in the Facilities Finance Authority account that is transferred to the HFA Loan Program. As of FYE 2014 The Direct Loan Program had a fund balance of \$1.9 million. About \$0.9 million is available for loans with the remainder shown as reserves for the outstanding loans of about \$1.0 million.
- Working capital - National bond rating agencies, national bond insurers, and institutional investor expect the Facility Finance Authority to maintain a working capital reserve of two years' operating capital to assure that it can financially operate between legislative sessions. At the beginning of FY 2014 this was \$1.2 million.

Revenues & Expenses

The Facility Finance Authority is funded entirely by proprietary funds from two accounts within the enterprise fund.

2017 Biennium Report on Internal Service and Enterprise is shown in the figure below. It provides a summary of anticipated revenues, expenditures, and remaining fund balance for the two funds. Revenues are collected from interest, fees, and charges to participating institutions. Application and annual administrative fee assessments are contingent upon business volume. Customer volume is assumed to be at the current level throughout the 2017 biennium.

The Health Finance Authority Loan Program (06012) provides direct loans to various facilities. The Facilities Finance Authority funds operations. The accounts have been combined in the report provided below.

Fund balance, also referred to as equity, for both funds is shown as \$4.9 million at the end of FY 2017. About \$1.9 million of the balance included is for the HFA Loan Program with the remainder available as reserves. For the 2017 biennium the working capital reserve is calculated as \$1,115,124, slightly less than the reserve requirements for FY 2014. The capital reserve account reserve requirements (both A and B) is projected to be \$11,615,345 for the biennium. Thus the amount of the unfunded reserves for this program are projected to be \$9,762,666 or 15.9% funded as decrease from FY 2014.

Proprietary Rate Explanation

The Facilities Finance Authority is funded by an enterprise fund; and authority customers are outside of state government. The fee structure that is proposed does not materially vary from that proposed in the last session.

The 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.

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	Legislative Budget 2016	Legislative Budget 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	875,318	875,141	1,594,251	1,750,459	156,208	9.80 %
Grants	0	0	92,174	92,174	0	184,348	184,348	0.00 %
Benefits & Claims	157,063	358,921	358,921	358,921	515,984	717,842	201,858	39.12 %
Total Costs	\$789,325	\$1,325,000	\$1,326,413	\$1,326,236	\$2,114,325	\$2,652,649	\$538,324	25.46 %
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	1,176,413	1,176,236	1,964,325	2,352,649	388,324	19.77 %
Total Funds	\$789,325	\$1,325,000	\$1,326,413	\$1,326,236	\$2,114,325	\$2,652,649	\$538,324	25.46 %

Page Reference

Legislative Budget Analysis, A-278

Funding

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. 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. 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								
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	0	0	0	0.00 %	14,643,936	14,643,936	29,287,872	0.00 %
PL Adjustments	0	0	0	0.00 %	(13,317,523)	(13,317,700)	(26,635,223)	0.00 %
New Proposals	0	0	0	0.00 %	0	0	0	0.00 %
Total Budget	\$0	\$0	\$0		\$1,326,413	\$1,326,236	\$2,652,649	

Present Law Adjustments -

The "Present Law Adjustments" table shows the changes from FY 2015 legislative appropriation to the budget proposed. Each is discussed in the narrative that follows.

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 510 - Legislative Audit - HB 2 2014 Fixed Costs (Restricted/Biennia										
0.00	0	0	3,639	3,639	0.00	0	0	0	0	0
DP 525 - Fixed Costs Adjustment										
0.00	0	0	1,481	1,481	0.00	0	0	1,303	1,303	
DP 526 - 2017 Biennium Legislative Audit (Restricted /Biennial)										
0.00	0	0	(3,639)	(3,639)	0.00	0	0	0	0	
DP 530 - Reorganization										
0.00	0	0	(13,318,936)	(13,318,936)	0.00	0	0	(13,318,936)	(13,318,936)	
DP 550 - Motor Pool Adjustment										
0.00	0	0	(68)	(68)	0.00	0	0	(67)	(67)	
Grand Total All Present Law Adjustments										
0.00	\$0	\$0	(\$13,317,523)	(\$13,317,523)	0.00	\$0	\$0	(\$13,317,700)	(\$13,317,700)	

**Total Funds" amount includes funding from sources other than General Fund, State Special, or Federal Special (i.e. Proprietary).

DP 510 - Legislative Audit - HB 2 2014 Fixed Costs (Restricted/Biennia -

The legislature provided a restricted biennial appropriation for the legislative audit costs. The funding is established at the level of the 2015 biennial appropriation contained in HB 2 as enacted by the 2013 Legislature.

DP 525 - Fixed Costs Adjustment -

The legislature adopted proprietary rates for fixed costs charged to state agencies for services such as information technology or rent and grounds maintenance within the capitol complex. Rates for messenger services, legislative audit, grounds maintenance, records management, agency legal costs, and the statewide cost allocation plan were adopted as proposed by the executive. The legislature lowered proprietary rates for warrant writer, payroll services, SABHRS, SITSD fees, and rent. The legislature increased insurance premiums to provide for increased costs of claims and to establish a reserve for the insurance fund.

DP 526 - 2017 Biennium Legislative Audit (Restricted /Biennial) -

The legislature adjusted legislative audit costs and funding based on the current estimate of the Legislative Auditor.

DP 530 - Reorganization -

The legislature adopted the reorganization of the HOME Program from the Housing Division to the Community Development Program within the department. This included transfers of \$6.7 million in federal revenues in each year of the biennium and 4.12 FTE .

DP 550 - Motor Pool Adjustment -

The legislature adopted a reduction to the motor pool rates.

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.

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.

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 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.

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 Position (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.

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	Legislative Budget 2016	Legislative Budget 2017	Biennium Fiscal 14-15	Biennium Fiscal 16-17	Biennium Change	Biennium % Change
FTE	32.00	32.00	32.00	32.00	32.00	32.00	0.00	0.00 %
Personal Services	3,125,531	3,302,746	3,686,784	3,681,222	6,428,277	7,368,006	939,729	14.62 %
Operating Expenses	2,348,414	2,303,946	2,595,430	2,564,826	4,652,360	5,160,256	507,896	10.92 %
Equipment & Intangible Assets	5,346	0	0	0	5,346	0	(5,346)	(100.00)%
Total Costs	\$5,479,291	\$5,606,692	\$6,282,214	\$6,246,048	\$11,085,983	\$12,528,262	\$1,442,279	13.01 %
Proprietary Funds	5,479,291	5,606,692	6,282,214	6,246,048	11,085,983	12,528,262	1,442,279	13.01 %
Total Funds	\$5,479,291	\$5,606,692	\$6,282,214	\$6,246,048	\$11,085,983	\$12,528,262	\$1,442,279	13.01 %

Page Reference

Legislative Budget Analysis, A-293

Funding

This program is entirely funded with proprietary rates.

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	0	0	0	0.00 %	5,363,990	5,363,990	10,727,980	0.00 %
PL Adjustments	0	0	0	0.00 %	918,224	882,058	1,800,282	0.00 %
New Proposals	0	0	0	0.00 %	0	0	0	0.00 %
Total Budget	\$0	\$0	\$0		\$6,282,214	\$6,246,048	\$12,528,262	

Present Law Adjustments -

The "Present Law Adjustments" table shows the changes from FY 2015 legislative appropriation to the budget proposed. Each is discussed in the narrative that follows.

Present Law Adjustments									
	-----Fiscal 2016-----					-----Fiscal 2017-----			
	FTE	General Fund	State Special	Federal Special	Total Funds	FTE	General Fund	State Special	Total Funds
DP 700 - Proprietary Fund Adjustments	0.00	0	0	0	918,224	0.00	0	0	882,058
Grand Total All Present Law Adjustments	0.00	\$0	\$0	\$0	\$918,224	0.00	\$0	\$0	\$882,058

***Total Funds" amount includes funding from sources other than General Fund, State Special, or Federal Special (i.e. Proprietary).

DP 700 - Proprietary Fund Adjustments -

The legislature concurred with changes in the proprietary budget.

Other Issues -**Fund 06014 Industrial Revenue Bond I-95
Fund 06527 Investment Division***Program Description*

The Board of Investments (BOI) manages the Unified Investment Program mandated by Article VIII, Section 13 of the Montana Constitution. BOI consists of nine members appointed by the Governor. BOI also has two non-voting legislative liaisons, from different political parties; one appointed by the President of the Senate and one appointed by the Speaker of the House.

Statute grants the board sole authority to invest state funds. BOI also invests local government funds at their discretion. BOI currently manages an investment portfolio with a market value of approximately \$15.9 billion. BOI manages the portfolio under the "prudent expert principle".

To provide for diversification and reduced risk, BOI manages several investment pools in which funds of similar types are invested. The investment pools operate like mutual funds. Investments not managed in pools are included in All Other Funds. The investment pools include:

- Retirement Funds Bond Pool
- Trust Funds Investment Pool
- Short Term Investment Pool
- Montana Domestic Equity Pool
- Montana International Equity Pool
- Montana Private Equity Pool
- Montana Real Estate Pool
- All Other Funds – investments not managed in pools are included in All Other Funds

Annual audited financial statements are prepared for each investment pool. The board also issues tax-exempt bonds and lends the proceeds to eligible government agencies for a variety of purposes.

In addition to the BOI's investment responsibilities, it is charged with creating solutions to financial issues facing new and expanding businesses in the state of Montana. To accomplish this goal, the BOI administers a number of different loan programs that can be specifically tailored to meet an individual business's or local government's needs. The INTERCAP and In-State Investment Programs were created in FY 1984 as part of the "Build Montana" program.

In-State Investment Program

Section 17-6-305, MCA, authorizes BOI to invest 25% of the permanent coal tax trust fund (trust fund) to assist Montana's economic development. This "In-State Investment Program" makes business loans from the trust fund in participation with financial institutions. BOI lends trust fund monies to local governments to fund infrastructure

that will serve job-creating businesses located in the government's jurisdiction. BOI also lends low-interest monies

funded from the trust fund to value-added type businesses creating jobs. Throughout FY 2008, the BOI purchased Montana residential mortgages with pension funds as part of the In-State Investment Program. The In-State Investment Program

also administers low interest loans for first time home buying Montana Veterans funded through up to \$30.0 million of the permanent coal tax trust monies.

INTERCAP Program

BOI sells tax-exempt bonds and lends the proceeds to eligible governments for a variety of projects. Loan terms range from one to 15 years, and short-term loans to finance cash flow deficits or bridge financing are also available.

Proprietary Program Description

Investment Division - 06527

Industrial Revenue Bond I-95 – 06014

The Board of Investments is funded by two proprietary fund types. The Industrial Revenue Bond Program, an enterprise fund, funds the INTERCAP Program. Investment Division Program, an internal service fund, funds the Investment Programs. BOI s' customers include: state agencies, the university system, local governments, financial institutions, and local economic development organizations.

Revenues

INTERCAP Program

Nearly all program revenues are generated by the difference between interest rates on bonds sold and the interest rate charged on loans to borrowers. Since these revenues are only received from the trustee on an annual basis, a 270 day fund balance is required to provide adequate funding for the program between draws. Remaining revenues are received monthly from the BOI's contract with the Montana Facility Finance Authority. The figure below shows the revenues, expenses, and fund balance for the industrial revenue bond fund that supports the INTERCAP Program.

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

Fund	Fund Name	Agency #	Program Name				
06014	Industrial Revenue Bond I-95	65010	Board of Investments				
				Actual	Budgeted	Budgeted	Budgeted
				FY14	FY15	FY16	FY17
Operating Revenues							
Fees and Charges							
	Investment Earnings			\$47,143	\$205,230	\$150,310	\$199,675
	Securities Lending Income			1	0	200	200
	Other Operating Revenues			762,538	1,716,019	1,356,765	1,666,655
Total Operating Revenues				809,682	1,921,249	1,507,275	1,866,530
Expenses							
	Personal Services			371,864	344,884	364,846	364,081
	Other Operating Expense			149,095	180,249	176,654	167,514
	Debt Service Expense (Statutory)			2,032,896	1,594,800	1,090,415	1,438,445
Total Operating Expense				2,553,855	2,119,933	1,631,915	1,970,040
Operating Income (Loss)				(1,744,173)	(198,684)	(124,640)	(103,510)
Income (Loss) Before Contributions and Transfers				(1,744,173)	(198,684)	(124,640)	(103,510)
Capital Contributions							
Transfers In				18,833	18,000	19,775	19,775
Transfers Out				0	0	0	0
Change in Net Position				(1,725,340)	(180,684)	(104,865)	(83,735)
Beginning Net Position - July 1				7,223,482	5,498,142	5,317,458	5,212,593
	Prior Period Adjustments			0	0	0	0
Change in Net Position				(1,725,340)	(180,684)	(104,865)	(83,735)
Ending Net Position - June 30				5,498,142	5,317,458	5,212,593	5,128,858
Net Position (Fund Balance) Analysis							
	Restricted Net Position (Enterprise Funds Only)			0	0	0	0
Unrestricted Net Position				\$5,498,142	\$5,317,458	\$5,212,593	\$5,128,858

Rate(s) and Rate Explanation:

The Board of Investments recovers its costs from the entities that use its services. Typically, this has been done by requesting a maximum level of expenditures and setting the fee at that level. Fees proposed for the INTERCAP Program are shown below.

Requested Rates for Enterprise Funds Fee/Rate Information				
	Actual FY 14	Budgeted FY 15	Budgeted FY 16	Budgeted FY 17
Budgeted Revenues Fees & Investment Revenues	\$ 1,658,269	\$ 1,921,249	\$ 1,507,275	\$ 1,866,530

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.

Revenues

Investment Division Fund

Nearly all BOI revenues are generated from charges to each account that BOI invests. The revenue objective of the BOI is to fairly assess the costs of operations while maintaining a 60 day working capital reserve.

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

Fund	Fund Name	Agency #	Program Name				
06527	Investment Division	65010	Board of Investments				
				Actual FY14	Budgeted FY15	Budgeted FY16	Budgeted FY17
Operating Revenues							
Fees and Charges							
	Administrative Fees			\$5,164,248	\$5,234,796	\$6,031,846	\$6,031,846
	Other Operating Revenues			12	0	0	0
Total Operating Revenues				5,164,260	5,234,796	6,031,846	6,031,846
Expenses							
	Personal Services			2,871,926	3,012,886	3,481,498	3,476,565
	Other Operating Expense			2,225,196	2,123,697	2,418,776	2,397,312
Total Operating Expense				5,097,122	5,136,583	5,900,274	5,873,877
Operating Income (Loss)				67,138	98,213	131,572	157,969
Income (Loss) Before Contributions and Transfers				67,138	98,213	131,572	157,969
Change in Net Position				67,138	98,213	131,572	157,969
Beginning Net Position - July 1				204,977	272,115	370,328	501,900
	Prior Period Adjustments			0	0	0	0
	Change in Net Position			67,138	98,213	131,572	157,969
Ending Net Position - June 30				272,115	370,328	501,900	659,869
Net Position (Fund Balance) Analysis							
	Restricted Net Position (Enterprise Funds Only)			0	0	0	0
	Unrestricted Net Position			\$272,115	\$370,328	\$501,900	\$659,869

As shown, administrative fees are proposed to increase 16.8% when compared to actual FY 2014 revenues. The higher revenues support the higher costs for personal services and operating expenses.

Rate(s) and Rate Explanation:

The Board of Investments recovers its costs from the entities that use its services. Typically, this has been done by requesting a maximum level of expenditures and setting the fee at that level. Fees proposed for

Requested Rates for Internal Service Funds Fee/Rate Information				
	Approved FY 14	Approved FY 15	Budgeted FY 16	Budgeted FY 17
BOI Administrative Fee Rate	\$5,109,144	\$5,234,796	\$6,031,846	\$6,031,846
Allocation Methodology: The revenue objective of the Board of Investments is to assess the costs of operations to each portfolio the Board invests while attempting to maintain a reasonable and prudent 60 day working capital reserve.				

The rates approved by the legislature are the maximum the program may charge during the biennium. They are not the rates the program must charge.

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	Legislative Budget 2016	Legislative Budget 2017	Biennium Fiscal 14-15	Biennium Fiscal 16-17	Biennium Change	Biennium % Change
FTE	1.25	1.25	1.25	1.25	1.25	1.25	0.00	0.00 %
Personal Services	9,879	97,223	108,177	107,882	107,102	216,059	108,957	101.73 %
Operating Expenses	59,891	51,049	73,976	73,935	110,940	147,911	36,971	33.33 %
Total Costs	\$69,770	\$148,272	\$182,153	\$181,817	\$218,042	\$363,970	\$145,928	66.93 %
State/Other Special Rev. Funds	69,770	148,272	182,153	181,817	218,042	363,970	145,928	66.93 %
Total Funds	\$69,770	\$148,272	\$182,153	\$181,817	\$218,042	\$363,970	\$145,928	66.93 %

Page Reference

Legislative Budget Analysis, A-301

Funding

State special revenues supporting the Board of Horse Racing and appropriated in HB 2 are derived from two main sources:

- Simulcast racing with 1% of the statewide simulcast "handle" returned for operations and 1% of all "handles" and 3% of exotic "handles" for live racing in Montana
- Pari-mutuel gambling whereby 26% of the revenues are divided between the BOHR (16%), pari-mutuel network provider (Montana State Lottery 6%), and game retailers (4%)

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	0	0	0	0.00 %	148,272	148,272	296,544	0.00 %
PL Adjustments	0	0	0	0.00 %	33,881	33,545	67,426	0.00 %
New Proposals	0	0	0	0.00 %	0	0	0	0.00 %
Total Budget	\$0	\$0	\$0		\$182,153	\$181,817	\$363,970	

Present Law Adjustments -

The "Present Law Adjustments" table shows the changes from FY 2015 legislative appropriation to the budget proposed. Each is discussed in the narrative that follows.

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 515 - State Share Health Insurance	0.00	0	608	0	608	0.00	0	608	0	608
DP 525 - Fixed Costs Adjustment	0.00	0	(765)	0	(765)	0.00	0	(765)	0	(765)
DP 527 - Inflation Deflation Adjustment	0.00	0	(103)	0	(103)	0.00	0	(103)	0	(103)
DP 529 - Longevity and Other adjustments	0.00	0	414	0	414	0.00	0	492	0	492
DP 7800200 - Operating Cost Adjustments	0.00	0	23,795	0	23,795	0.00	0	23,754	0	23,754
DP 7800210 - Other Personal Services Changes	0.00	0	9,932	0	9,932	0.00	0	9,559	0	9,559
Grand Total All Present Law Adjustments	0.00	\$0	\$33,881	\$0	\$33,881	0.00	\$0	\$33,545	\$0	\$33,545

*"Total Funds" amount includes funding from sources other than General Fund, State Special, or Federal Special (i.e. Proprietary).

DP 515 - State Share Health Insurance -

The legislature provided appropriation authority for the state share of health insurance, as adopted by the 2013 Legislature.

DP 525 - Fixed Costs Adjustment -

The legislature adopted proprietary rates for fixed costs charged to state agencies for services such as information technology or rent and grounds maintenance within the capitol complex. Rates for messenger services, legislative audit, grounds maintenance, records management, agency legal costs, and the statewide cost allocation plan were adopted as proposed by the executive. The legislature lowered proprietary rates for warrant writer, payroll services, SABHRS, SITSD fees, and rent. The legislature increased insurance premiums to provide for increased costs of claims and to establish a reserve for the insurance fund.

DP 527 - Inflation Deflation Adjustment -

The legislature adopted inflation/deflation factors for budgeted expenditures such as food or electricity. The legislature concurred with the executive on the factors with the exception of gasoline, aviation gasoline, diesel fuel, and jet fuel. For these factors the legislature further deflated costs to align the budget with more current information on declining prices of oil and gas projected to continue into the 2017 biennium.

DP 529 - Longevity and Other adjustments -

The legislature adopted personal service adjustments for unemployment insurance, workers compensation rates, longevity, retirement, and health benefits.

DP 7800200 - Operating Cost Adjustments -

Adjustments for indirect costs charged through proprietary rates in the Director's Office were approved by the legislature.

DP 7800210 - Other Personal Services Changes -

The legislature provided funding to support increased costs for personal services within the Board of Horse Racing.

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	Legislative Budget 2016	Legislative Budget 2017	Biennium Fiscal 14-15	Biennium Fiscal 16-17	Biennium Change	Biennium % Change
Grants	453,944	550,000	550,000	550,000	1,003,944	1,100,000	96,056	9.57 %
Total Costs	\$453,944	\$550,000	\$550,000	\$550,000	\$1,003,944	\$1,100,000	\$96,056	9.57 %
Federal Spec. Rev. Funds	453,944	550,000	550,000	550,000	1,003,944	1,100,000	96,056	9.57 %
Total Funds	\$453,944	\$550,000	\$550,000	\$550,000	\$1,003,944	\$1,100,000	\$96,056	9.57 %

Page Reference

Legislative Budget Analysis, A-308

Funding

The Montana Council on Developmental Disabilities is entirely funded with federal special revenues that pay the contract for the nonprofit that carries out the responsibilities of DDPAC.

The Director's Office is funded by an internal service proprietary fund from indirect costs charged to all agency programs. For further discussion of the proprietary funded portion of this program refer to the "Proprietary Rates" section.

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	0	0	0	0.00 %	550,000	550,000	1,100,000	0.00 %
PL Adjustments	0	0	0	0.00 %	0	0	0	0.00 %
New Proposals	0	0	0	0.00 %	0	0	0	0.00 %
Total Budget	\$0	\$0	\$0		\$550,000	\$550,000	\$1,100,000	

Other Issues -

Proprietary Program Description

Commerce Centralized Services - 06542

Program Description:

The Director's Office provides overall leadership, communication, and management support to the Department of Commerce staff, programs, bureaus, divisions, and administratively attached boards. Services are provided by the Office of Accounting and Budget, Legal Affairs, Human Resources, Information Technology, and Public Information.

*Program Narrative*Revenues

The Director's Office is funded by revenues from charges allocated to all divisions, bureaus, and programs supported by the division's indirect cost plan. Indirect costs are allocated to supported programs based upon federally calculated and legislatively approved indirect cost rates applied to actual personal services expenditures. It should be noted that the impacts of an approved pay plan for the 2017 biennium are not included in the projected revenues. Actual and anticipated revenues are shown in the 2017 Biennium Report on Internal Services and Enterprise funds shown on the next page. As shown, federal indirect cost recoveries are used to provide support for the program and offset operating losses for the program.

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

Fund	Fund Name	Agency #	Program Name
06542	Commerce Centralized Services	65010	Director's Office

	Actual FY14	Budgeted FY15	Budgeted FY16	Budgeted FY17
Operating Revenues				
Fees and Charges				
Administrative Fees	\$1,616,871	\$1,501,677	\$1,730,966	\$1,730,863
Other Operating Revenues	259	0	0	0
Total Operating Revenues	1,617,130	1,501,677	1,730,966	1,730,863
Expenses				
Personal Services	1,526,464	1,651,191	1,754,646	1,755,930
Other Operating Expense	270,618	236,894	309,941	302,153
Total Operating Expense	1,797,082	1,888,085	2,064,587	2,058,083
Operating Income (Loss)	(179,952)	(386,408)	(333,621)	(327,220)
Nonoperating Revenues				
Federal Indirect Cost Recoveries	334,973	302,365	302,365	302,365
Total Nonoperating Revenues (Expenses)	334,973	302,365	302,365	302,365
Income (Loss) Before Contributions and Transfers	155,021	(84,043)	(31,256)	(24,855)
Change in Net Position	155,021	(84,043)	(31,256)	(24,855)
Beginning Net Position - July 1	232,730	387,751	303,708	272,452
Prior Period Adjustments				
Change in Net Position	155,021	(84,043)	(31,256)	(24,855)
Ending Net Position - June 30	387,751	303,708	272,452	247,597
Net Position (Fund Balance) Analysis				
Restricted Net Position (Enterprise Funds Only)	0	0	0	0
Unrestricted Net Position	\$387,751	\$303,708	\$272,452	\$247,597

Rate(s) and Rate Explanation:

The Director's Office calculates a federal indirect cost rate on an annual basis. This rate is a fixed rate for federally funded programs. This rate is then applied against actual federally funded personal services expenditures within the department.

The federally calculated rate requires that a carry-forward amount be built into the rate. This carry-forward represents the amount the Director's Office under-recovered or over-recovered in a given fiscal year. This computation compares what was originally calculated to what actually occurred. The difference is then carried forward into the following year's rate.

The indirect cost rate is determined based on guidelines prescribed by the federal government. Additionally, the Director's Office complies with 17-3-111, MCA, which requires agencies to calculate a rate that would recover indirect costs to the greatest extent possible. In order to comply with this statute, the Director's Office has requested a rate that may vary slightly from the annually calculated federal rate. The rate approved by the legislature is considered a cap; therefore, the department cannot impose a rate higher than what has been approved by the Legislature. However, the annually calculated federal rate may be slightly lower.

Requested Rates for Internal Service Funds				
Fee/Rate Information				
	Actual FY14	Budgeted FY15	Budgeted FY16	Budgeted FY17
Fee Description:				
State Programs				
Indirect Cost Rate	14.65%	14.65%	14.10%	14.10%
Federal Programs				
Indirect Cost Rate	14.65%	14.65%	14.10%	14.10%
Allocation Methodology: Indirect costs for the Director's Office are allocated to supported programs via a federally calculated indirect cost plan for federally funded programs, and a legislatively approved rate for state funded programs. Indirect cost rates are charged to supported programs based upon actual personal services expenditures.				
Authority: Federally calculated indirect cost plan for federally funded programs, and legislatively approved rate for state funded programs. FY 2016 and FY 2017 federally approved rate is an estimated rate.				

The federally calculated rate requires that a carry-forward amount be built into the rate. This carry-forward represents the amount the Director's Office under-recovered or over-recovered in a given fiscal year. This computation compares what was originally calculated to what actually occurred. The difference is then carried forward into the following year's rate.

The indirect cost rate is determined based on guidelines prescribed by the federal government. Additionally, the Director's Office complies with 17-3-111, MCA, which requires agencies to calculate a rate that would recover indirect costs to the greatest extent possible. In order to comply with this statute, the Director's Office has requested a rate that may vary slightly from the annually calculated federal rate. The rate approved by the legislature is considered a cap; therefore, the department cannot impose a rate higher than what has been approved by the Legislature. However, the annually calculated federal rate may be slightly lower.