

**Program Budget Comparison**

The following table summarizes the total Legislative 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 %
<b>Total Costs</b>	<b>\$9,660,110</b>	<b>\$15,799,580</b>	<b>\$18,132,048</b>	<b>\$16,610,219</b>	<b>\$25,459,690</b>	<b>\$34,742,267</b>	<b>\$9,282,577</b>	<b>36.46 %</b>
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 %
<b>Total Funds</b>	<b>\$9,660,110</b>	<b>\$15,799,580</b>	<b>\$18,132,048</b>	<b>\$16,610,219</b>	<b>\$25,459,690</b>	<b>\$34,742,267</b>	<b>\$9,282,577</b>	<b>36.46 %</b>

**Program Description**

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

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

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

**Program Highlights**

<b>Community Development Division Major Budget Highlights</b>
<ul style="list-style-type: none"> <li>• Funding for the division increases between the two biennia primarily due to increases in federal funding and increased costs associated with the Hard Rock Mining Impact and Coal Boards</li> <li>• A reorganization in FY 2014 transferred the HOME Program to the division with 5.83 FTE and \$6.7 million in federal funds</li> </ul>

**Program Narrative**

*Changes to the FY 2015 Appropriation*

In FY 2014 the Community Development Division reorganized, transferring the HOME program from the Board of Housing to CDD. This change also impacted FY 2015, increasing the FY 2015 appropriation by:

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

- \$92,174 in operating expenses
- \$6,175,926 in grants

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

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

*Legislative Budget*

The legislature adopted funding to support:

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

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

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

The Coal Board is statutorily required to biennially designate eligible entities for Coal Board funds. The legislature provided an additional \$10,000 in FY 2017 for this purpose. The Governor line item vetoed the appropriation supporting the Coal Board. In his veto message the Governor directed the Office of Budget and Program Planning to work with the Department of Commerce to ensure the program was funded.

**Funding**

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

Department of Commerce, 60-Community Development Division						
Funding by Source of Authority						
Funds	HB2	Non-Budgeted Proprietary	Statutory Appropriation	Total All Sources	% Total All Funds	
01100 General Fund	3,045,054	0	0	3,045,054	8.60 %	
02044 SBIR EBSCOR	0	0	0	0	0.00 %	
02049 Hard Rock Mining	406,779	0	681,000	1,087,779	15.74 %	
02210 Microbusiness Admin Acct	138,286	0	0	138,286	2.00 %	
02218 School Facility Imprvmnt Acct	769,070	0	0	769,070	11.13 %	
02270 Treasure State Endowment	1,205,089	0	0	1,205,089	17.43 %	
02445 Coal Board	3,712,711	0	0	3,712,711	53.71 %	
<b>State Special Total</b>	<b>\$6,231,935</b>	<b>\$0</b>	<b>\$681,000</b>	<b>\$6,912,935</b>	<b>19.52 %</b>	
03053 Neighborhood Stabilization Prg	0	0	0	0	0.00 %	
03059 Community Development Block	12,119,245	0	0	12,119,245	47.59 %	
03300 Home Grants	13,346,033	0	0	13,346,033	52.41 %	
<b>Federal Special Total</b>	<b>\$25,465,278</b>	<b>\$0</b>	<b>\$0</b>	<b>\$25,465,278</b>	<b>71.89 %</b>	
<b>Proprietary Total</b>	<b>\$0</b>	<b>\$0</b>	<b>\$0</b>	<b>\$0</b>	<b>0.00 %</b>	
<b>Total All Funds</b>	<b>\$34,742,267</b>	<b>\$0</b>	<b>\$681,000</b>	<b>\$35,423,267</b>		

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. The Governor line item vetoed this appropriation in HB 2.

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 TSEP 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. In the 2017 biennium the funding supports administration of the program but funding for grants was not provided.

The HOME Program is a federal block program directed by the U.S. Department of Housing and Urban Development. Program funding is provided to community housing development organizations, public housing authorities, and units of local governments. The funding is used to expand the supply of affordable housing for low and very low income individuals,

**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 %
<b>Total Budget</b>	<b>\$2,280,037</b>	<b>\$765,017</b>	<b>\$3,045,054</b>		<b>\$18,132,048</b>	<b>\$16,610,219</b>	<b>\$34,742,267</b>	

The legislature approved transferring the HOME Program from the Housing Division to the Community Development Division. This makes up the majority of the changes approved as part of the present law adjustment. The legislature also provided \$1.5 million in general fund for a new grant program for capital improvements to youth recreational facilities on school trust lands as a new proposal.

**Present Law Adjustments**

The "Present Law Adjustments" table shows the adopted changes from the FY 2015 legislative appropriation. 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
<b>Grand Total All Present Law Adjustments</b>	<b>(1.71)</b>	<b>\$31,556</b>	<b>\$48,206</b>	<b>\$7,412,174</b>	<b>\$7,491,936</b>	<b>(1.71)</b>	<b>\$16,536</b>	<b>\$45,555</b>	<b>\$7,408,016</b>	<b>\$7,470,107</b>

\*\*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 a net of 4.12 FTE when the move and FTE reduction for the boilerplate language enacted by the 2013 Legislature are considered.

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

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 adopted changes from the FY 2015 legislative appropriation. Each is discussed in the narrative that follows.

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
<b>Total</b>	<b>0.00</b>	<b>\$1,500,000</b>	<b>\$0</b>	<b>\$0</b>	<b>\$1,500,000</b>	<b>0.00</b>	<b>\$0</b>	<b>\$0</b>	<b>\$0</b>	<b>\$0</b>

\*\*\*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 infrastructure including water and sewer, roads, parking, and utilities in facilities used to provide activities for Montana youth.