

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
Personal Services	4,090	0	0	0	4,090	0	(4,090)	(100.00)%
Operating Expenses	628,172	966,079	873,160	875,141	1,594,251	1,748,301	154,050	9.66 %
Grants	0	0	94,332	92,174	0	186,506	186,506	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 %

Program Description

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

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

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

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

Program Highlights

<p>Housing Division Major Budget Highlights</p>
<ul style="list-style-type: none"> • The budget decreases by 83.4% compared to the 2015 biennium appropriation reflecting transfer of the HOME Program with 5.83 FTE and \$6.7 million in appropriation authority to the Community Development Division

Program Narrative

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

Changes to the FY 2015 Appropriation

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

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

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

With the exception of adjustments for legislative audit and fixed costs the legislature provided the remaining funding at the budgeted level established in FY 2015.

Funding

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

Department of Commerce, 74-Housing Division Funding by Source of Authority						
Funds	HB2	Non-Budgeted Proprietary	Statutory Appropriation	Total All Sources	% Total All Funds	
General Fund	0	0	0	0	0.00 %	
02575 Mobile Home Revolving Loan Fund	300,000	0	0	300,000	100.00 %	
State Special Total	\$300,000	\$0	\$0	\$300,000	0.32 %	
03110 HUD Comprehensive Counseling	552,230	0	0	552,230	23.47 %	
03144 SHELTER PLUS CARE - HUD	750,728	0	0	750,728	31.91 %	
03282 EMERGENCY HOMEOWNERS LOAN PROG	500,000	0	0	500,000	21.25 %	
03300 Home Grants	1,303	0	0	1,303	0.06 %	
03521 Section 811 Project Rental	0	0	0	0	0.00 %	
03945 BOH FORCLOSURE MITIGATION	548,388	0	0	548,388	23.31 %	
Federal Special Total	\$2,352,649	\$0	\$0	\$2,352,649	2.47 %	
06030 BOH Financial Program Fund	0	4,701,348	0	4,701,348	5.08 %	
06031 Housing Trust Fund	0	20,000	0	20,000	0.02 %	
06032 Mortgage Loan Servicing	0	2,977,679	0	2,977,679	3.22 %	
06074 SEC 8 Project Based	0	40,282,247	0	40,282,247	43.53 %	
06075 HUD Section 8 Housing Program	0	40,014,069	0	40,014,069	43.24 %	
06078 Affordable House Revolving Ln	0	20,000	0	20,000	0.02 %	
06079 Revolving Loan Fund - TANF	0	20,000	0	20,000	0.02 %	
06085 Section 8 Mod Rehab	0	4,513,099	0	4,513,099	4.88 %	
Proprietary Total	\$0	\$92,548,442	\$0	\$92,548,442	97.21 %	
Total All Funds	\$2,652,649	\$92,548,442	\$0	\$95,201,091		

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 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	1,104.10 %
PL Adjustments	0	0	0	0.00 %	(13,317,523)	(13,317,700)	(26,635,223)	(1,004.10)%
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	

The executive reorganized the HOME Program, transferring it from the Housing Division to the Community Development Division. This makes up about half of the changes included present law adjustment each year. The remaining adjustment reduces the FY 2015 legislative base by about \$6.6 million each year. The appropriation for the HOME Program in FY 2015 was \$6.6 million above the level of appropriations transferred to the Community Development Division for the 2017 biennium. The adjustment aligned the funding to the level of anticipated federal funds for the programs remaining in the Housing Division.

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.

	-----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
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.

Rate(s) and Rate Explanation:

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

Requested Rates for Enterprise Funds Fee/Rate 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.

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.

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.