

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	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 %

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 its 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.

Program Highlights

There are no highlights for this program.

Funding

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

Department of Commerce, 75-Board of Investments 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 %	
State Special Total	\$0	\$0	\$0	\$0	0.00 %	
Federal Special Total	\$0	\$0	\$0	\$0	0.00 %	
06014 Industrial Revenue Bond I-95	0	928,916	3,000,000	3,928,916	25.30 %	
06527 Investment Division	0	11,599,346	0	11,599,346	74.70 %	
Proprietary Total	\$0	\$12,528,262	\$3,000,000	\$15,528,262	100.00 %	
Total All Funds	\$0	\$12,528,262	\$3,000,000	\$15,528,262		

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 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	85.63 %
PL Adjustments	0	0	0	0.00 %	918,224	882,058	1,800,282	14.37 %
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	

The table above does not apply. This program is entirely funded with proprietary rates.

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 700 - Proprietary Fund Adjustments	0.00	0	0	0	918,224	0.00	0	0	0	882,058
Grand Total All Present Law Adjustments	0.00	\$0	\$0	\$0	\$918,224	0.00	\$0	\$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. 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.

Industrial Revenue Bond Program

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 adopted 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.

Investment Division Fund

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 adopted for the Investment Division Fund are shown below.

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.