

### Program Budget Comparison

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

Program Budget Comparison								
Budget Item	Base Fiscal 2012	Approp. Fiscal 2013	Budget Fiscal 2014	Budget Fiscal 2015	Biennium Fiscal 12-13	Biennium Fiscal 14-15	Biennium Change	Biennium % Change
FTE	20.33	20.33	21.33	21.33	20.33	21.33	1.00	4.92%
Personal Services	1,163,894	1,251,502	1,484,289	1,483,029	2,415,396	2,967,318	551,922	22.85%
Operating Expenses	582,250	674,823	835,748	822,702	1,257,073	1,658,450	401,377	31.93%
Grants	4,661,752	9,639,248	7,248,954	6,870,993	14,301,000	14,119,947	(181,053)	(1.27%)
<b>Total Costs</b>	<b>\$6,407,896</b>	<b>\$11,565,573</b>	<b>\$9,568,991</b>	<b>\$9,176,724</b>	<b>\$17,973,469</b>	<b>\$18,745,715</b>	<b>\$772,246</b>	<b>4.30%</b>
General Fund	873,486	888,349	1,235,033	1,234,117	1,761,835	2,469,150	707,315	40.15%
State Special	2,317,872	5,192,768	3,029,498	2,638,693	7,510,640	5,668,191	(1,842,449)	(24.53%)
Federal Special	3,216,538	5,484,456	5,304,460	5,303,914	8,700,994	10,608,374	1,907,380	21.92%
<b>Total Funds</b>	<b>\$6,407,896</b>	<b>\$11,565,573</b>	<b>\$9,568,991</b>	<b>\$9,176,724</b>	<b>\$17,973,469</b>	<b>\$18,745,715</b>	<b>\$772,246</b>	<b>4.30%</b>

### Program Description

The Community Development Division (CDD) administers four programs directly: Community Development Block Grant Program (CDBG); Community Technical Assistance Program (CTAP); Neighborhood Stabilization Program (NSP); and Treasure State Endowment Program (TSEP).

Two citizen boards appointed by the Governor, Montana Coal Board and 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.

Overall, the six programs of the CDD seek to assure viable, sustainable communities and the provision of cost-effective and efficient community services and facilities by encouraging well-planned community growth and development.

### Program Highlights

<b>Community Development Division Major Budget Highlights</b>	
◆	Funding for the division increases between the two biennia primarily due to anticipated increases in federal funding and increased costs associated with the Hard Rock Mining Impact Board and Coal Board
◆	State special revenue funds decrease between the two biennia due a reduction in funding to the Coal Board. The funding goes from 5.8% of coal severance tax revenues to 2.9% in the 2015 biennium per statute

### Program Discussion

Personal services increases are due to three factors:

- Request for an additional FTE in the 2015 biennium
- Broadband pay increases granted in FY 2012 that are annualized in the 2015 biennium
- A vacancy rate of 6.3% in FY 2012 compared to the legislatively established 4%

Operating costs increases are mainly for requests for additional support for consulting and professional services, printing, computers, postage, dues and indirect administrative costs. In addition, the division is requesting an additional \$100,000 in general operating costs for a statutorily required reserve account for the Hard Rock Mining Board.

## Funding

The following table shows program funding, by source for the 2015 biennium as recommended by the Governor.

Total Department Of Commerce Funding by Source of Authority 2015 Biennium Budget - Community Development Division							
Funds	HB 2	Non- Budgeted Proprietary	Statutory Appropriation	Total All Sources	% Total All Funds	MCA Reference	Statutory Category
General Fund	\$2,469,150	\$0	\$0	\$2,469,150	12.4%		
State Special Total	\$5,668,191	\$0	\$1,200,000	\$6,868,191	34.4%		
02049 Hard Rock Mining	\$404,860	\$0	\$1,200,000	\$1,604,860	8.0%		
02270 Treasure State Endowment	\$1,128,331	\$0	\$0	\$1,128,331	5.7%		
02445 Coal Board	\$4,135,000	\$0	\$0	\$4,135,000	20.7%		
Federal Special Total	\$10,608,374	\$0	\$0	\$10,608,374	53.2%		
03059 Community Development Block	\$10,608,374	\$0	\$0	\$10,608,374	53.2%		
Total All Funds	\$18,745,715	\$0	\$1,200,000	\$19,945,715	100.0%		
<b>Percent - Total All Sources</b>	<b>94.0%</b>	<b>0.0%</b>	<b>6.0%</b>				

### General fund:

- Provides matching funds for the Community Development Block Grant (CDBG)
- Wholly supports the Community Technical Assistance Program, Quality Schools Program, and the proposed Main Street Program

State special revenues 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. See appendix for Department of Commerce for a listing of projects funded in FY 2012 and the fund balance for the account.

### LFD COMMENT

Currently, statute requires that 5.8% of the coal severance tax revenues be distributed into the coal board account. After September 2013, the allocation decreases to 2.9% resulting in a reduction in the amount of funding for grants.

The Treasure State Endowment Program is funded with interest earnings from the treasure state endowment fund, a sub-fund within the coal tax trust. Fifty percent of the coal severance taxes that go into the coal tax trust fund are to be transferred to the treasure state endowment fund until June 30, 2016. The Hard-Rock Mining Impact Board is funded by a 2.5% allocation of the Metalliferous Mines License Tax.

The CDBG program is primarily funded with federal block grant funds, allocated through the US Department of Housing and Urban Development (HUD). 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.

**LFD COMMENT** The federal Budget Control Act includes automatic spending reductions, called sequesters, that are currently scheduled to take effect January 2, 2013. For discretionary spending the estimated amount of the reduction is 8.2%. Community development block grants are included in the programs that are covered by the BCA required reductions. As a result, funding for the program may be reduced below what is shown in the executive's proposed budget

**Budget Summary by Category**

The following summarizes the total budget by base, present law adjustments, and new proposals.

Budget Item	-----General Fund-----				-----Total Funds-----			
	Budget Fiscal 2014	Budget Fiscal 2015	Biennium Fiscal 14-15	Percent of Budget	Budget Fiscal 2014	Budget Fiscal 2015	Biennium Fiscal 14-15	Percent of Budget
Base Budget	873,486	873,486	1,746,972	70.75%	6,407,896	6,407,896	12,815,792	68.37%
Statewide PL Adjustments	145,928	142,910	288,838	11.70%	257,115	250,112	507,227	2.71%
Other PL Adjustments	215,639	217,741	433,380	17.55%	2,904,364	2,519,100	5,423,464	28.93%
New Proposals	(20)	(20)	(40)	0.00%	(384)	(384)	(768)	0.00%
<b>Total Budget</b>	<b>\$1,235,033</b>	<b>\$1,234,117</b>	<b>\$2,469,150</b>		<b>\$9,568,991</b>	<b>\$9,176,724</b>	<b>\$18,745,715</b>	

**Present Law Adjustments**

The "Present Law Adjustments" table shows the changes to the adjusted base budget proposed by the executive. "Statewide Present Law" adjustments are standard categories of adjustments made to all agencies. Decisions on these items were applied globally to all agencies. The other numbered adjustments in the table correspond to the narrative descriptions.

Present Law Adjustments	-----Fiscal 2014-----					-----Fiscal 2015-----				
	FTE	General Fund	State Special	Federal Special	Total Funds	FTE	General Fund	State Special	Federal Special	Total Funds
Personal Services					309,137					307,918
Vacancy Savings					(58,855)					(58,801)
Inflation/Deflation					(205)					(28)
Fixed Costs					7,038					1,023
<b>Total Statewide Present Law Adjustments</b>		<b>\$145,928</b>	<b>\$27,732</b>	<b>\$83,455</b>	<b>\$257,115</b>		<b>\$142,910</b>	<b>\$24,514</b>	<b>\$82,688</b>	<b>\$250,112</b>
DP 6001 - CDD Main Street - OTO HB 2	1.00	150,000	0	0	150,000	1.00	150,000	0	0	150,000
DP 6002 - CDD Administrative Costs Adjustments - HB 2	0.00	65,639	683,998	4,727	754,364	0.00	67,741	296,411	4,948	369,100
DP 6003 - CDD Federal Grants Adjustments - HB 2	0.00	0	0	2,000,000	2,000,000	0.00	0	0	2,000,000	2,000,000
<b>Total Other Present Law Adjustments</b>	<b>1.00</b>	<b>\$215,639</b>	<b>\$683,998</b>	<b>\$2,004,727</b>	<b>\$2,904,364</b>	<b>1.00</b>	<b>\$217,741</b>	<b>\$296,411</b>	<b>\$2,004,948</b>	<b>\$2,519,100</b>
<b>Grand Total All Present Law Adjustments</b>	<b>1.00</b>	<b>\$361,567</b>	<b>\$711,730</b>	<b>\$2,088,182</b>	<b>\$3,161,479</b>	<b>1.00</b>	<b>\$360,651</b>	<b>\$320,925</b>	<b>\$2,087,636</b>	<b>\$2,769,212</b>

DP 6001 - CDD Main Street - OTO HB 2 - The executive is requesting one-time-only funding for the Montana Main Street Program. Main Street Program helps communities strengthen and preserve their historic downtowns by focusing on economic development through organization, design, and promotion. During the 2013 biennium, the Montana Main Street program was transferred from the Business Resources Division to the Community Development Division. The program goals are to:

- o Retain and attract small businesses and entrepreneurs and their employees
- o Increase the municipal tax base
- o Increase downtown area property values

- Maintain local historic integrity, quality of life, sense of place and belonging
- Build financial and managerial capacity for spurring economic development
- Receive technical services from professionals in the fields of land use planning, economic development, market studies, tourism, organization management, public facility financing, and historic preservation
- Network with other Montana communities regarding strategies for downtown revitalization
- Plan for the short- and long-term growth of the historic downtown core of communities facing large-scale oil and gas development

For a discussion of the LFD Issue with this request refer to the narrative for the Business Resources Division

<b>LFD COMMENT</b>	This decision package is a new proposal, not a present law adjustment. The program was funded via a one-time-only appropriation by the 2011 Legislature. State statute requires the executive to present program expansions it wants considered for funding in the new biennium as a new proposal to the next legislature rather than a present law adjustment.
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DP 6002 - CDD Administrative Costs Adjustments - HB 2 – The executive requests funding for per diem for the Hard Rock Mining Impact Board and Coal Board . In addition the executive requests authority to establish a \$100,000 reserve account for the Hard Rock Mining Impact Board. Additional costs include consulting services for a designation study for allocation of Coal Board grants, publication costs, computer equipment, public notice, and printing costs.

DP 6003 - CDD Federal Grants Adjustments - HB 2 – The executive request additional federal appropriations for grants received by the Community Development Division to match available federal funds for the 2015 Biennium.

<b>LFD COMMENT</b>	The legislature may wish to consider the impacts of the federal Budget Control Act in relation to this program prior to approving additional authority that may or may not be needed.
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**New Proposals**

New Proposals	-----Fiscal 2014-----					-----Fiscal 2015-----					
	Program	FTE	General Fund	State Special	Federal Special	Total Funds	FTE	General Fund	State Special	Federal Special	Total Funds
DP 6101 - Professional Development Center Fee Allocation	60	0.00	(20)	(104)	(260)	(384)	0.00	(20)	(104)	(260)	(384)
<b>Total</b>	<b>0.00</b>	<b>(\$20)</b>	<b>(\$104)</b>	<b>(\$260)</b>	<b>(\$384)</b>	<b>0.00</b>	<b>(\$20)</b>	<b>(\$104)</b>	<b>(\$260)</b>	<b>(\$384)</b>	

DP 6101 - Professional Development Center Fee Allocation - The executive requests an increase for training services purchased from the Professional Development Center (PDC) of the Department of Administration. This request reflects the difference between the amount paid in the base for PDC services and a fixed cost allocation based on agency FTE counts. Starting in the 2015 biennium and beyond, the executive recommends funding the PDC as a fixed cost item. For a further discussion, see the narrative for the Department of Administration.