

### 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	5.83	5.83	5.83	5.83	5.83	5.83	0.00	0.00%
Personal Services	331,008	309,014	355,516	355,746	640,022	711,262	71,240	11.13%
Operating Expenses	395,907	1,097,340	1,053,894	1,058,173	1,493,247	2,112,067	618,820	41.44%
Grants	4,175,926	4,250,000	6,175,926	6,175,926	8,425,926	12,351,852	3,925,926	46.59%
Benefits & Claims	183,921	0	358,921	358,921	183,921	717,842	533,921	290.30%
<b>Total Costs</b>	<b>\$5,086,762</b>	<b>\$5,656,354</b>	<b>\$7,944,257</b>	<b>\$7,948,766</b>	<b>\$10,743,116</b>	<b>\$15,893,023</b>	<b>\$5,149,907</b>	<b>47.94%</b>
State Special	0	25,800	150,000	150,000	25,800	300,000	274,200	1,062.79%
Federal Special	5,086,762	5,630,554	7,794,257	7,798,766	10,717,316	15,593,023	4,875,707	45.49%
<b>Total Funds</b>	<b>\$5,086,762</b>	<b>\$5,656,354</b>	<b>\$7,944,257</b>	<b>\$7,948,766</b>	<b>\$10,743,116</b>	<b>\$15,893,023</b>	<b>\$5,149,907</b>	<b>47.94%</b>

### Program Description

The Housing Division established on July 1, 1995, consolidated housing programs within the Department of Commerce into one division. The division includes the Housing and Urban Development (HUD) HOME Investment Partnerships program, the HUD Tenant Based and Project Based Section 8 Housing programs, and the Board of Housing and its programs.

### Program Highlights

<b>Housing Division Major Budget Highlights</b>
<ul style="list-style-type: none"> <li>◆ The budget increases by 47.9% compared to the 2013 biennium mainly due to \$4.8 million in anticipated federal grants for Housing and Urban Development HOME Investment Partnerships</li> <li>◆ Non-budgeted proprietary funds support 85.9% of the program. These are enterprise funds in which the legislature has no rate setting action</li> </ul>

### Program Discussion

The majority of the increases between the 2013 and 2015 biennia are the result of additional federal grant authority proposed by the executive. The proposal includes increases for:

- HUD Comprehensive Counseling
- Emergency Homeowner's Loan Program
- Home Grants
- BOH Foreclosure Mitigation

Operating cost increases include a request for additional authority for consulting and professional services above that provided in the 2013 biennium. Benefits and claims increase due to a proposal to increase services provided by the Section 8 Shelter Care Plus Program.

## 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 - Housing Division							
Funds	HB 2	Non- Budgeted Proprietary	Statutory Appropriation	Total All Sources	% Total All Funds	MCA Reference	Statutory Category
<b>State Special Total</b>	<b>\$300,000</b>	<b>\$0</b>	<b>\$0</b>	<b>\$300,000</b>	0.3%		
02575 Mobile Home Revolving Loan Fund	300,000	-	-	300,000	0.3%		
<b>Federal Special Total</b>	<b>\$15,593,023</b>	<b>\$0</b>	<b>\$0</b>	<b>\$15,593,023</b>	13.8%		
03110 Hud Comprehensive Counseling	550,000	-	-	550,000	0.5%		
03144 Shelter Plus Care - Hud	749,996	-	-	749,996	0.7%		
03282 Emergency Homeowners Loan Prog	500,000	-	-	500,000	0.4%		
03300 Home Grants	13,243,027	-	-	13,243,027	11.7%		
03945 Boh Foreclosure Mitigation	550,000	-	-	550,000	0.5%		
<b>Proprietary Total</b>	<b>\$0</b>	<b>\$96,885,621</b>	<b>\$0</b>	<b>\$96,885,621</b>	85.9%		
06030 Boh Financial Program Fund	-	8,928,297	-	8,928,297	7.9%		
06031 Housing Trust Fund	-	20,000	-	20,000	0.0%		
06074 Sec 8 Project Based	-	42,038,664	-	42,038,664	37.3%		
06075 Hud Section 8 Housing Program	-	42,105,150	-	42,105,150	37.3%		
06079 Revolving Loan Fund - Tanf	-	20,000	-	20,000	0.0%		
06085 Section 8 Mod Rehab	-	3,753,510	-	3,753,510	3.3%		
<b>Total All Funds</b>	<b>\$15,893,023</b>	<b>\$96,885,621</b>	<b>\$0</b>	<b>\$112,778,644</b>	100.0%		
<b>Percent - Total All Sources</b>	<b>14.1%</b>	<b>85.9%</b>	<b>0.0%</b>				

The majority of the funds supporting the activities of the Housing Division are proprietary funds. The Board of Housing is 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 are the Housing and Urban Development HOME Investment Partnerships Program and Montana' Manufactured Home Replacement Program (MHR). The HUD HOME program is an annual categorical federal grant from HUD. Grant funds are distributed, using a competitive process, to successful local governments and Community Housing Development Organizations with an allowed amount being held back at the state level to administer the program. MHR provided loans to remodel manufactured homes. The 2015 biennium includes funding in the event that any prior loans are repaid and funding can be re-loaned.

### 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%. Home Investment State Grants and tenant-based rental assistance from HUD 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.

In addition the low-income housing tax credit, administered by the Board of Housing has been mentioned for possible changes to the federal tax code. The legislature may wish to discuss the current status of Congressional deliberations and its impacts on the grant programs included in both HB 2 and the proprietary rates.

**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	0	0	0	0.00%	5,086,762	5,086,762	10,173,524	64.01%
Statewide PL Adjustments	0	0	0	0.00%	28,610	25,225	53,835	0.34%
Other PL Adjustments	0	0	0	0.00%	2,828,965	2,836,859	5,665,824	35.65%
New Proposals	0	0	0	0.00%	(80)	(80)	(160)	0.00%
<b>Total Budget</b>	<b>\$0</b>	<b>\$0</b>	<b>\$0</b>		<b>\$7,944,257</b>	<b>\$7,948,766</b>	<b>\$15,893,023</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					37,919					38,159
Vacancy Savings					(14,757)					(14,767)
Inflation/Deflation					1					39
Fixed Costs					5,447					1,794
<b>Total Statewide Present Law Adjustments</b>		<b>\$0</b>	<b>\$0</b>	<b>\$28,610</b>	<b>\$28,610</b>		<b>\$0</b>	<b>\$0</b>	<b>\$25,225</b>	<b>\$25,225</b>
DP 7401 - HD Administrative Costs Adjustments - HB 2	0.00	0	150,000	53,965	203,965	0.00	0	150,000	61,859	211,859
DP 7402 - HD Federal Grants Adjustments - HB 2	0.00	0	0	2,625,000	2,625,000	0.00	0	0	2,625,000	2,625,000
<b>Total Other Present Law Adjustments</b>	<b>0.00</b>	<b>\$0</b>	<b>\$150,000</b>	<b>\$2,678,965</b>	<b>\$2,828,965</b>	<b>0.00</b>	<b>\$0</b>	<b>\$150,000</b>	<b>\$2,686,859</b>	<b>\$2,836,859</b>
<b>Grand Total All Present Law Adjustments</b>	<b>0.00</b>	<b>\$0</b>	<b>\$150,000</b>	<b>\$2,707,575</b>	<b>\$2,857,575</b>	<b>0.00</b>	<b>\$0</b>	<b>\$150,000</b>	<b>\$2,712,084</b>	<b>\$2,862,084</b>

DP 7401 - HD Administrative Costs Adjustments - HB 2 – The executive proposes to annualize the cost of maintenance fees for HOME programs, lease agreements, and indirect costs to the Director’s Office.

DP 7402 - HD Federal Grants Adjustments - HB 2 – The executive requests federal appropriation authority for grants received by the Housing Assistance Bureau’s HOME Program to match available federal funds for the 2015 biennium.

**New Proposals**

New Proposals	Program	FTE	-----Fiscal 2014-----				-----Fiscal 2015-----					
			General Fund	State Special	Federal Special	Total Funds	FTE	General Fund	State Special	Federal Special	Total Funds	
	DP 6101 - Professional Development Center Fee Allocation	74	0.00	0	0	(80)	(80)	0.00	0	0	(80)	(80)
	<b>Total</b>	<b>0.00</b>	<b>\$0</b>	<b>\$0</b>	<b>(\$80)</b>	<b>(\$80)</b>	<b>0.00</b>	<b>\$0</b>	<b>\$0</b>	<b>(\$80)</b>	<b>(\$80)</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.

### **Proprietary Rates**

#### *Proprietary Description*

The Montana Housing Act of 1975 created the Montana Board of Housing (board). The board is an agency of the state and operates within the Department of Commerce for administrative purposes. The board provides direction to the agency staff for its programs that include the Homeownership Program, Multifamily Loan Programs, Low Income Housing Tax Credit Program, Housing Montana Fund, and the Reverse Annuity Mortgage (RAM) Program. The Board of Housing is funded by four enterprise funds with revenues derived from an administrative charge applied to projects and mortgages financed.

The Project Based Section 8 (PBS8) 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 is funded with revenues derived from a performance based Annual Contribution Contract with HUD.

#### **Board of Housing – (Funds 06030, 06031, 06078, and 06079)**

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. The reports for the enterprise funds are available in the appendix.