

Agency Budget Comparison

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

Agency Budget Comparison								
Budget Item	Base Fiscal 2008	Approp. Fiscal 2009	Budget Fiscal 2010	Budget Fiscal 2011	Biennium Fiscal 08-09	Biennium Fiscal 10-11	Biennium Change	Biennium % Change
FTE	46.66	46.66	53.66	53.66	46.66	53.66	7.00	15.00%
Personal Services	2,755,120	2,911,344	3,306,404	3,339,375	5,666,464	6,645,779	979,315	17.28%
Operating Expenses	2,526,589	5,318,047	5,216,652	5,162,419	7,844,636	10,379,071	2,534,435	32.31%
Equipment & Intangible Assets	97,650	0	97,650	97,650	97,650	195,300	97,650	100.00%
Local Assistance	0	0	0	0	0	0	0	n/a
Grants	15,597,961	18,348,852	29,387,195	24,058,032	33,946,813	53,445,227	19,498,414	57.44%
Benefits & Claims	0	0	0	0	0	0	0	n/a
Transfers	0	0	0	0	0	0	0	n/a
Total Costs	\$20,977,320	\$26,578,243	\$38,007,901	\$32,657,476	\$47,555,563	\$70,665,377	\$23,109,814	48.60%
General Fund	2,452,220	2,592,842	4,814,022	4,814,001	5,045,062	9,628,023	4,582,961	90.84%
State Special	2,442,145	6,110,217	11,343,140	5,884,568	8,552,362	17,227,708	8,675,346	101.44%
Federal Special	16,082,955	17,875,184	21,850,739	21,958,907	33,958,139	43,809,646	9,851,507	29.01%
Total Funds	\$20,977,320	\$26,578,243	\$38,007,901	\$32,657,476	\$47,555,563	\$70,665,377	\$23,109,814	48.60%

Agency Description

Agency Mission: The Department of Commerce through its employees, community partners, public outreach, and media contacts enhances economic prosperity in Montana, fosters community lead diversification and sustainability of a growing economy, maintains and improves infrastructure, housing and facilities, and promotes and enhances Montana's positive national and international image.

The Department of Commerce encompasses a number of programs that provide grant administration, federal program administration, state initiatives, and investment services in order to diversify and expand the state's economic base through business creation, expansion, and retention and improvement of our infrastructure, housing and facilities.

The department is composed of nine major divisions and their related programs as follows:

- Business Resources Division
 - Board of Research and Commercialization Technology
 - MT Capital Investment Board
 - Regional Development Bureau
 - Census & Economic Information Center
 - Trade & International Relations Bureau
 - Small Business Development Center
- Montana Promotion Division
 - Film Office
 - Marketing
 - Tourism Development
 - Electronic Marketing
 - Industry Services and Operations
- Energy Infrastructure Promotion & Development Division
- Community Development Division
 - Coal Board
 - Hard Rock Mining Impact Board
 - Treasure State Endowment Program
 - Community Development Block Grant Program
- Montana Facility Finance Authority

- Housing Division
 - Board of Housing
 - Housing Assistance Bureau
- Board of Investments
- Montana Heritage Commission
- Director’s Office/Management Services Division
 - Director’s Office
 - Management Services Division
 - Montana Council on Developmental Disabilities

Agency Highlights

Department of Commerce HB 2 Budget Highlights
<ul style="list-style-type: none"> ◆ The legislature provided an increase in funding of 48.6 percent in the 2011 biennium from the 2009 biennium including: <ul style="list-style-type: none"> ● \$9.5 million in new proposals to continue economic development initiatives ● Increased spending authority for community development block grants ● \$18.6 million in present law increases include increased spending authority for grants and general expenditure increases ◆ Although funded as one-time-only in the prior biennium, the legislature funded the Made in Montana program with ongoing funds ◆ The increase in state special revenue is primarily for an accounting entry to record micro-business loans and the addition of \$2.5 million in grant funding for bio-medical research ◆ Funding for the Montana Equity Capital Investment Board was eliminated by the legislature ◆ An unspecified general fund reduction in the amount of \$108,842 was applied to the agency with language providing distribution of the reduction among programs at the discretion of the agency ◆ The legislature added 1.00 FTE and \$188,000 state special revenue for an in-house engineer and related operating expenses for the Treasure State Endowment Program ◆ The legislature removed 1.0 FTE and associated operating costs from the Montana Manufactured Home Replacement Program ◆ One-time-only funding of \$3.75 million was added for the New Worker Training Program that includes funding for 2.0 FTE ◆ One-time-only funding of \$400,000 was added for the Energy Promotion and Development Division that includes funding for 5.0 FTE
HB 645 Budget Highlights
<ul style="list-style-type: none"> ◆ Funding for Tribal Economic Development (\$1.6 million) and the Montana Main Street Program (\$250,000) that is included in HB 645 replaced the funding for these items in HB 2 ◆ The legislature added \$510,000 for the Energy Promotion and Development Division in addition to the appropriation in HB 2 ◆ The legislature funded \$7.5 million for the Distressed Wood Products Industry Program ◆ Funding of \$1.3 million was added for the New Worker Training Program in

- addition to the amount in HB 2
- ◆ The legislature added \$2 million to defray a portion of the costs of the Butte supercomputing center.
 - ◆ \$475,000 was provided for a biomass energy study
 - ◆ The legislature funded initial development of the Montana Agro-Energy Industrial Park in the amount of \$300,000
 - ◆ Grant programs funded by the legislature include:
 - \$4.0 million for historic preservation
 - \$10.0 million for city infrastructure projects
 - \$10.0 million for county infrastructure projects
 - \$5.0 million for tribal governments
 - \$20.0 million for school districts
 - \$14.95 million for school energy efficiency improvements
 - \$25,000 for community service planning
 - ◆ Federal funds appropriated in the bill include:
 - Increased Community Development Block Grant (CDBG) funding
 - Increased availability of housing tax credits
 - Federal tax credit exchange funding

Summary of Legislative Action

The legislatively approved budget for the agency increased 48.6 percent from the 2009 biennium. Of this increase 80.1 percent is attributable to appropriations made to accommodate federal and state grant programs. A number of the decision packages approved by the legislature were funded in the prior biennium as one-time-only and therefore are presented as increases in the current biennium. A total increase of 7.0 FTE was approved by the legislature. 2.0 FTE were approved and funded with a one-time-only appropriation for the New Worker Training program in the Business Resources Division and 5.0 FTE were approved and funded with a one-time-only appropriation to the Energy Promotion and Development Division. 1.0 FTE (TSEP engineer) was approved and funded in the Community Development division. One FTE was removed in the Manufactured Home Program.

The Made in Montana program that was funded by the legislature as one-time-only in previous biennia was funded by the legislature with ongoing funding this biennium. Two other programs, Tribal Economic Development and the Montana Main Street programs, that were funded as one-time-only through HB 2 in the previous biennium were not funded in this bill, but were funded through HB 645. Please see the Other Legislation section for details. Funding was eliminated for the Montana Equity Capital Act.

The legislature approved spending authority increases for increases in federal CDBG fund availability and for Coal Board and Hard Rock Mining Board local impact grants. The Coal Board was also provided with an increased appropriation for distribution of additional grants from the expected increase in revenue due to the passage of SB 100.

Two budget reductions were applied to the division by the legislature. The first of these is the approval of the executive's proposal to increase vacancy saving from 4 to 7 percent. The second is an unspecified 2 percent reduction in general fund. The legislature also provided language in the bill that allows the distribution of the general fund reduction among programs when developing the agency's 2011 biennium operating plans.

The legislature provided funding for the implementation of HB 13 (the pay plan bill).

Funding

The following table summarizes funding for the agency, by program and source, as adopted by the legislature. Funding for each program is discussed in detail in the individual program narrative that follows.

Total Agency Funding 2011 Biennium Budget					
Agency Program	General Fund	State Spec.	Fed Spec.	Grand Total	Total %
51 Business Resources Division	\$ 8,132,083	\$ 7,185,330	\$ 8,194,251	\$ 23,511,664	33.27%
52 Montana Promotion Division	-	1,525,226	-	1,525,226	2.16%
55 Energy Promotion & Dev Division	407,460	-	-	407,460	0.58%
60 Community Development Division	1,087,996	8,217,152	15,815,563	25,120,711	35.55%
74 Housing Division	484	300,000	18,348,536	18,649,020	26.39%
81 Director/Management Services	-	-	1,451,296	1,451,296	2.05%
Grand Total	<u>\$ 9,628,023</u>	<u>\$ 17,227,708</u>	<u>\$ 43,809,646</u>	<u>\$ 70,665,377</u>	<u>100.00%</u>

Funding for the agency continues to be predominately federal special revenue comprising 62 percent of the total funding. Funding increases from the prior biennium are primarily attributable to adjustments in federal grant programs.

General fund supports a number of administrative functions, federal administrative grant matches and grant programs in HB 2. The New Worker Training program in the Business Resources Division represents 39 percent of total general fund for the agency.

State special revenue continues to support the recording of micro-business loans to qualifying businesses, private contributions for Montana promotion, and mining impact grants and technical assistance to local governments.

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 2010	Budget Fiscal 2011	Biennium Fiscal 10-11	Percent of Budget	Budget Fiscal 2010	Budget Fiscal 2011	Biennium Fiscal 10-11	Percent of Budget
Base Budget	2,452,220	2,452,220	4,904,440	50.94%	20,977,320	20,977,320	41,954,640	59.37%
Statewide PL Adjustments	202,857	198,470	401,327	4.17%	336,174	297,906	634,080	0.90%
Other PL Adjustments	111,782	113,472	225,254	2.34%	10,742,900	7,856,065	18,598,965	26.32%
New Proposals	2,047,163	2,049,839	4,097,002	42.55%	5,951,507	3,526,185	9,477,692	13.41%
Total Budget	\$4,814,022	\$4,814,001	\$9,628,023		\$38,007,901	\$32,657,476	\$70,665,377	

Other Legislation

HB 645 – This bill is the appropriations bill for funds received by the state from the federal government under the American Recovery and Reinvestment Act (ARRA) of 2009. In addition to the appropriations provided in HB 2, the Department of Commerce is provided \$120.8 million in funding for a number of economic development, stabilization, and infrastructure creation programs through the passage and approval of HB 645.

Total Agency Funding 2011 Biennium Budget					
Agency Program	General Fund	State Spec.	Fed Spec.	Grand Total	Total %
51 Business Resources Division	\$ 13,458,388	\$ -	\$ 1,829,878	\$ 15,288,266	12.86%
55 Energy Promotion & Dev Division	510,000	-	-	510,000	0.43%
60 Community Development Division	29,000,000	20,160,573	-	49,160,573	41.37%
74 Housing Division	-	-	38,596,860	38,596,860	32.48%
81 Director/Management Services	300,000	14,984,000	-	15,284,000	12.86%
Grand Total	<u>\$ 43,268,388</u>	<u>\$ 35,144,573</u>	<u>\$ 40,426,738</u>	<u>\$ 118,839,699</u>	<u>100.00%</u>

A portion of the federal funds provided by the American Recovery and Reinvestment Act (ARRA) to Montana for certain programs enabled the legislature to free-up general fund for use in implementing the intent of the ARRA at the state level. These funds are either appropriated directly in HB 645 or transferred into state special fund accounts for appropriation. The remaining federal funding provided by the ARRA to Montana are “Siloed” funds that have specified

federal direction pertaining to the use of the funds. These include expansion of current federally funded programs for housing tax credits and Community Development Block Grants.

Programs Funded with Freed-Up General Fund

The programs that are funded in this bill from the free-up general fund that were also contained in HB 2, but removed because of contingent avoidance language in HB 645, are the Tribal Economic Development Program, the Montana Main Street Program, and the Energy Promotion and Development Division. The Energy Promotion and Development Division (EPDD) funding in this bill is \$400,000 less than the amount in HB 2. Therefore, only the amount funded in this bill is reduced from the HB 2 appropriation for EPDD and the remaining amount is funded in HB 2.

A number of new projects are being funded with the general fund dollars that are now available because of federal funds offsetting the general fund in various programs. The Distressed Wood Product Industry Recovery and Stabilization Program (WPIRS) uses these funds in conjunction with other federal funds to establish a revolving loan account to provide a financing option to the Montana wood products industry with the goal of helping the affected companies retain jobs and industry infrastructure in Montana. Funding is provided for a contracted study to determine the potential of biomass energy production in northwest Montana. In addition, freed-up general funds are granted to the Montana Agro-Energy Industrial Park for initial site development, and a grant program was established to provide planning grants to non-profits seeking to streamline operations to maintain jobs and reduce costs.

Broadband mapping funds are provided to create a broadband services inventory map in accordance with the federal act.

A grant program was funded by the legislature in the amount of \$4.0 million for historic preservation. The department will administer the program similarly to the Treasure State Endowment Program, with each project being vetted and competitively evaluated.

Three programs have been initiated to grant funds for the purpose of completing specific construction and maintenance projects. \$45.0 million of general and state special fund are allocated to grants for school districts (\$20 million), local governments (\$20 million), and tribal governments (\$5 million).

The legislature added \$14.95 million for Quick Start Energy Grants. The Department of Commerce is to award these grants on a competitive basis to public school districts for projects that provide long-term, cost-effective energy efficiency improvement benefits to school facilities. Any funds that are not obligated automatically roll into the appropriation for School Facilities Program Administration and Grants.

The School Facilities Account will receive a total of \$34,000 in general fund transfers to be used for grants. The department is administering the school facilities grants because of the similarities to the TSEP grant administration. Additional state special authority is provided to accommodate the increased grant funding in TSEP. HB 152 is the legislation that creates the grant program and provides for additional funding and appropriation.

Expansion of Existing Federally Funded Programs

Community Development Block Grant (CDBG) federal funding increased by \$1.8 million with the implementation of the American Recovery and Reinvestment Act (ARRA). Added to these funds are \$2.0 million of general fund monies to increase the total amount of CDBG funding as noted above. The sum of these funds will be awarded by formula for economic development, housing, or public facilities projects sponsored by municipal or county governments.

The Housing Division is provided additional federal funding for distribution of tax credits to qualified housing projects throughout the state. These tax credits fill the gap between eligible amounts and amounts previously available in fiscal years 2007, 2008, and 2009. In addition, federal funds are provided to the division for the exchange of a portion of the unused tax credits for the building of low-income housing projects within the state. These funds then can be granted to eligible projects to fill funding gaps to get these projects built in lieu of the tax credit.

HB 2 and HB 645 Combined

The following table illustrates the combined HB 2 and HB 645 appropriations. The first two columns show the appropriations in HB 2 and HB 645 side by side, the third column shows the total funding for the agency from both bills. A detailed explanation of impacts to individual programs, including on-going funding and present law adjustments due to using one-time-only funding from HB 645 in existing programs is presented at the program level when applicable.

2011 Biennium HB 2 and HB 645 Combined Department of Commerce			
Fund	HB 2	One-time HB 645 Appropriations	2011 Biennium Revised Total
General Fund	\$9,628,023	\$43,268,388	\$52,896,411
State Special Revenues	17,224,807	35,144,573	52,369,380
Federal Special Revenues	<u>43,806,014</u>	<u>40,426,738</u>	<u>84,232,752</u>
Total Funds	<u>\$70,658,844</u>	<u>\$118,839,699</u>	<u>\$189,498,543</u>

HB 152 – This bill creates the Quality Schools Facility Grant Program, provides an account for future funding, requires the deposit of specific revenues in to the account, creates an initial appropriation of \$12.0 million over the 2011 biennium, and creates a statutory appropriation of \$1.0 million annually for school technology specific purposes. The purpose of the program is to establish a mechanism to distribute grants to public school districts for school facility and technology projects.

HB 669 – This bill creates the Distressed Wood Products Industry Revolving Loan Program and a statutory appropriation to the department for the purposes described in the bill. HB 645 contains the initial funding for the program. The bill allows for a percentage of the funds to be used to secure federal matching funds for the program. Language in the bill voids the language in HB 645 related to the operation of the program and use of the funding.

HB 635 – This bill repealed the Montana Equity Capital Investment Act.

HB 194 – This bill creates a statutory appropriation for the distribution of hard rock mining impact funds to counties. Although appropriations are contained in HB 2 for this purpose, the creation of a statutory appropriation allows the program to comply with the legislative requirement that all funds available be distributed to counties without having to guess the amount of biennial revenues flowing into the account, especially in the event that there are large variances in metals pricing, during the budgeting process.

SB 89 – This bill made the Primary Sector Business Workforce Training Act permanent by repealing the sunset provisions in the law. The act is the basis of the division’s worker training programs

SB 100 – This bill temporarily reallocates 2.9 percent of coal severance tax revenue from the general fund to the oil, gas, and coal natural resources account. This change doubles the current allocation for a period of four years beginning in FY 2010 and continuing through FY 2013.

Executive Budget Comparison

The following table compares the legislative budget in the 2011 biennium to the budget requested by the Governor, by type of expenditure and source of funding.

Executive Budget Comparison								
Budget Item	Base Budget Fiscal 2008	Executive Budget Fiscal 2010	Legislative Budget Fiscal 2010	Leg – Exec. Difference Fiscal 2010	Executive Budget Fiscal 2011	Legislative Budget Fiscal 2011	Leg – Exec. Difference Fiscal 2011	Biennium Difference Fiscal 10-11
FTE	46.66	55.66	53.66	(2.00)	55.66	53.66	(2.00)	
Personal Services	2,755,120	3,472,542	3,306,404	(166,138)	3,480,741	3,339,375	(141,366)	(307,504)
Operating Expenses	2,526,589	5,516,378	5,216,652	(299,726)	5,463,158	5,162,419	(300,739)	(600,465)
Equipment & Intangible Assets	97,650	97,650	97,650	0	97,650	97,650	0	0
Local Assistance	0	0	0	0	0	0	0	0
Grants	15,597,961	26,209,909	29,387,195	3,177,286	23,317,598	24,058,032	740,434	3,917,720
Benefits & Claims	0	0	0	0	0	0	0	0
Transfers	0	0	0	0	0	0	0	0
Total Costs	\$20,977,320	\$35,296,479	\$38,007,901	\$2,711,422	\$32,359,147	\$32,657,476	\$298,329	\$3,009,751
General Fund	2,452,220	5,953,696	4,814,022	(1,139,674)	5,939,105	4,814,001	(1,125,104)	(2,264,778)
State/Other Special	2,442,145	7,499,882	11,343,140	3,843,258	4,473,898	5,884,568	1,410,670	5,253,928
Federal Special	16,082,955	21,842,901	21,850,739	7,838	21,946,144	21,958,907	12,763	20,601
Total Funds	\$20,977,320	\$35,296,479	\$38,007,901	\$2,711,422	\$32,359,147	\$32,657,476	\$298,329	\$3,009,751

The legislatively approved budget differs from the executive proposal due to the funding of a \$2.5 million grant program for biomedical research, a \$100,000 biennial reduction in funding for the Montana Equity Capital Act, funding to implement the pay plan bill, a 2 percent unspecified reduction in general fund totaling \$108,842, elimination of the funding for Tribal Economic Development and the Montana Main Street Program, and a reduction in the amount funded for the Energy Promotion and Development Division. The net result of these items is a 4.4 percent increase over the executive budget proposal.

Language

The legislature added the following language to HB 2:

“The line item for New Worker Training is to provide training funds for businesses to train and educate both new and existing employees, which will result in the retention and creation of high-wage and high-skilled jobs that will increase the earning potential and employment opportunities for Montana employees and enhance the state's economy. The line item for New Worker Training is intended to be implemented using a framework similar to that established under the primary sector business workforce training act provided for in title 39, chapter 11, except that the New Worker Training appropriation line item is to be used to train and educate both new and existing employees.

Business Resources Division includes unspecified reductions in general fund money of \$54,421 in fiscal year 2010 and \$54,421 in fiscal year 2011. The agency may allocate these reductions in funding among programs when developing 2011 biennium operating plans.”

Program Budget Comparison

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

Program Budget Comparison								
Budget Item	Base Fiscal 2008	Approp. Fiscal 2009	Budget Fiscal 2010	Budget Fiscal 2011	Biennium Fiscal 08-09	Biennium Fiscal 10-11	Biennium Change	Biennium % Change
FTE	25.16	25.16	27.16	27.16	25.16	27.16	2.00	7.95%
Personal Services	1,562,436	1,586,643	1,782,305	1,800,872	3,149,079	3,583,177	434,098	13.78%
Operating Expenses	1,219,100	3,489,432	3,498,369	3,480,064	4,708,532	6,978,433	2,269,901	48.21%
Equipment & Intangible Assets	0	0	0	0	0	0	0	n/a
Local Assistance	0	0	0	0	0	0	0	n/a
Grants	2,632,421	4,124,259	7,725,098	5,224,956	6,756,680	12,950,054	6,193,374	91.66%
Transfers	0	0	0	0	0	0	0	n/a
Total Costs	\$5,413,957	\$9,200,334	\$13,005,772	\$10,505,892	\$14,614,291	\$23,511,664	\$8,897,373	60.88%
General Fund	2,008,230	2,084,153	4,068,298	4,063,785	4,092,383	8,132,083	4,039,700	98.71%
State Special	176,100	2,321,239	4,842,860	2,342,470	2,497,339	7,185,330	4,687,991	187.72%
Federal Special	3,229,627	4,794,942	4,094,614	4,099,637	8,024,569	8,194,251	169,682	2.11%
Total Funds	\$5,413,957	\$9,200,334	\$13,005,772	\$10,505,892	\$14,614,291	\$23,511,664	\$8,897,373	60.88%

Program Description

Mission: The mission of the Business Resources Division is to deliver information, technical assistance, and financial resources to communities and businesses in Montana resulting in the development and prosperity of our state.

The Business Resources Division is comprised of a variety of programs aimed at improving, enhancing, and diversifying Montana's economic and business climate through business creation, expansion, and retention efforts.

Business Resources Division responsibilities are mandated primarily in Title 30, Chapter 16; Title 17, Chapter 6; and Title 90, Chapter 1 and 10, MCA.

Program Highlights

Business Resources Division	
HB 2 Budget Highlights	
◆	The legislatively approved budget increases by 60.9 percent in the 2011 biennium from the 2009 biennium including new proposals to continue economic development programs funded as one-time-only in the prior biennium.
◆	Although funded as one-time-only in the prior biennium, the legislature funded the Made in Montana program with ongoing funds
◆	The increase in state special revenue is primarily for an accounting entry to record micro-business loans and the addition of \$2.5 million in grant funding for bio-medical research
◆	Funding for the Montana Equity Capital Investment Board was eliminated by the legislature
◆	An unspecified general fund reduction in the amount of \$108,842 was applied to the agency with language providing distribution of the reduction among programs at the discretion of the agency.

HB 645 Budget Highlights
<ul style="list-style-type: none"> ◆ Funding of \$1.3 million was added for the New Worker Training Program in addition to the amount in HB 2 ◆ Funding for Tribal Economic Development (\$1.6 million) and the Montana Main Street Program (\$250,000) that is included in HB 645 replaced the funding for these items in HB 2 ◆ The legislature funded \$7.5 million for the Distressed Wood Products Industry Program ◆ The legislature added \$2 million to defray a portion of the costs of the Butte supercomputing center. ◆ \$475,000 was provided for a biomass energy study ◆ The legislature funded initial development of the Montana Agro-Energy Industrial Park in the amount of \$300,000

Program Narrative

The legislatively approved budget for the division increases by 60.9 percent in the 2011 biennium from the 2009 biennium. Included in the increase is the New Worker Training program appropriation of \$3.75 million that includes the addition of 2.0 FTE and is designated as one-time-only funding as it was in the previous biennium. Additionally the legislature approved state special revenue appropriations for the recording of micro-business loans and for the addition of \$2.5 million in grant funding for bio-medical research.

The legislature added spending authority for increased federal grant funds, operating expense adjustments, the census, the workers' compensation cost management plan and for the implementation of HB 13, the pay plan bill.

The Made in Montana program that was funded by the legislature as one-time-only in previous biennia was funded by the legislature with ongoing funding this biennium. Two other programs, Tribal Economic Development and the Montana Main Street programs, that were funded as one-time-only through HB 2 in the previous biennium were not funded in this bill, but were funded through HB 645. Please see the Other Legislation section for details.

Two budget reductions were applied to the division by the legislature. The first of these is the approval of the executive's proposal to increase vacancy saving from 4 to 7 percent. The second is an unspecified 2 percent reduction in general fund. The legislature also provided language in the bill that allows the distribution of the general fund reduction among programs when developing the agency's 2011 biennium operating plans.

The legislature did not fund the Montana Equity Capital Investment Board in the bill and passed legislation repealing the act.

Funding

The following table shows program funding, by source, for the base year and for the 2011 biennium as adopted by the legislature.

Program Funding Table Business Resources Division							
Program Funding		Base FY 2008	% of Base FY 2008	Budget FY 2010	% of Budget FY 2010	Budget FY 2011	% of Budget FY 2011
01000	Total General Fund	\$ 2,008,230	37.1%	\$ 4,068,298	31.3%	\$ 4,063,785	38.7%
	01100 General Fund	2,008,230	37.1%	4,068,298	31.3%	4,063,785	38.7%
02000	Total State Special Funds	176,100	3.3%	4,842,860	37.2%	2,342,470	22.3%
	02090 Business Asst-Private	627	0.0%	75,000	0.6%	75,000	0.7%
	02210 Microbusiness Admin Acct	138,437	2.6%	229,362	1.8%	228,972	2.2%
	02212 Microbusiness Loan Acct	-	-	2,000,000	15.4%	2,000,000	19.0%
	02791 Sbir Private Funds	23,538	0.4%	25,000	0.2%	25,000	0.2%
	02845 Junk Vehicle Disposal	-	-	2,500,000	19.2%	-	-
	02939 State-Tribal Economic Devel	13,498	0.2%	13,498	0.1%	13,498	0.1%
03000	Total Federal Special Funds	3,229,627	59.7%	4,094,614	31.5%	4,099,637	39.0%
	03059 Community Development Block	2,774,211	51.2%	3,402,306	26.2%	3,405,724	32.4%
	03061 Eda Revolving Loan Fund	17,808	0.3%	68,144	0.5%	68,838	0.7%
	03138 Wired Mt Doc						
	03172 Sbir Outreach	40,827	0.8%	43,144	0.3%	43,838	0.4%
	03207 Small Business Dev. Centers	359,597	6.6%	541,020	4.2%	541,237	5.2%
	03233 Instep/Epscor Funds	37,184	0.7%	40,000	0.3%	40,000	0.4%
Grand	Total	\$ 5,413,957	100.0%	\$ 13,005,772	100.0%	\$ 10,505,892	100.0%

Total funding for the 2011 biennium increases by 60.9 percent from the 2009 biennium including a \$4.04 million increase in general fund. General fund supports a number of functions including technology research programs, workforce training grants, the Census and Economic Information Center, the Made in Montana program, regional development programs, and international relations programs.

State special revenue funding supports several projects including small business research, micro-business loan administration, the big sky trust program, and trade and international relations programs. Funding from state special revenue sources increases by \$4.69 million or 187.7 percent from the 2009 biennium, primarily due to the addition of \$2.0 million in funding for the recording of micro-business loans receivable made through the Small Business Development Center to certified micro-business development corporations and the addition of \$2.5 million for biomedical research grants.

Federal special revenue that primarily supports the WIRED and Community Development Block Grant programs, increases 2.1 percent from the 2009 to the 2011 biennium net of a reduction in CDBG funding and increases in both the Economic Development Authority revolving loan fund and federal funding for small business development centers.

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 2010	Budget Fiscal 2011	Biennium Fiscal 10-11	Percent of Budget	Budget Fiscal 2010	Budget Fiscal 2011	Biennium Fiscal 10-11	Percent of Budget
Base Budget	2,008,230	2,008,230	4,016,460	49.39%	5,413,957	5,413,957	10,827,914	46.05%
Statewide PL Adjustments	64,183	59,915	124,098	1.53%	150,708	146,146	296,854	1.26%
Other PL Adjustments	50,087	51,331	101,418	1.25%	3,004,068	3,006,838	6,010,906	25.57%
New Proposals	1,945,798	1,944,309	3,890,107	47.84%	4,437,039	1,938,951	6,375,990	27.12%
Total Budget	\$4,068,298	\$4,063,785	\$8,132,083		\$13,005,772	\$10,505,892	\$23,511,664	

Present Law Adjustments

The "Present Law Adjustments" table shows the changes to the adjusted base budget made by the legislature. "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 2010-----				-----Fiscal 2011-----					
	FTE	General Fund	State Special	Federal Special	Total Funds	FTE	General Fund	State Special	Federal Special	Total Funds
Personal Services					185,936					190,833
Vacancy Savings					(69,936)					(70,134)
Inflation/Deflation					2,323					2,936
Fixed Costs					32,385					22,511
Total Statewide Present Law Adjustments		\$64,183	\$100,692	(\$14,167)	\$150,708		\$59,915	\$99,212	(\$12,981)	\$146,146
DP 5105 - BRD Administrative Costs Adjustments HB 2	0.00	50,110	2,067,782	27,654	2,145,546	0.00	51,357	2,068,197	28,765	2,148,319
DP 5106 - BRD Federal Grants Adjustment HB 2	0.00	0	0	858,545	858,545	0.00	0	0	858,545	858,545
DP 7101 - Fuel Inflation Reduction	0.00	(23)	0	0	(23)	0.00	(26)	0	0	(26)
Total Other Present Law Adjustments	0.00	\$50,087	\$2,067,782	\$886,199	\$3,004,068	0.00	\$51,331	\$2,068,197	\$887,310	\$3,006,838
Grand Total All Present Law Adjustments	0.00	\$114,270	\$2,168,474	\$872,032	\$3,154,776	0.00	\$111,246	\$2,167,409	\$874,329	\$3,152,984

DP 5105 - BRD Administrative Costs Adjustments HB 2 - The legislature approved operating adjustments for the Business Resources Division. Additional operating cost adjustments include travel, communications, rent, training costs, indirect costs, and software for reporting to the federal government in the Small Business Development Center (SBDC) bureau. In addition, the funding includes \$2.0 million state special revenue each year to record loans to certified Micro-business development corporations on the state accounting system. The total amount approved is \$2,145,546 in FY 2010 and \$2,148,319 in FY 2011.

DP 5106 - BRD Federal Grants Adjustment HB 2 - The legislature approved an appropriation for the Business Resources Division to match available grants of federal funds for the 2011 biennium.

DP 7101 - Fuel Inflation Reduction - The legislature approved a reduction in funding for gasoline and diesel by the amount that these two expenditure categories were increased in the statewide present law adjustment for inflation. The effect is that no inflation adjustment has been applied to these two expenditure categories.

New Proposals

Program	FTE	-----Fiscal 2010-----				-----Fiscal 2011-----				
		General Fund	State Special	Federal Special	Total Funds	FTE	General Fund	State Special	Federal Special	Total Funds
DP 5190 - BRD New Worker Training -OTO										
51	2.00	1,876,619	0	0	1,876,619	2.00	1,876,633	0	0	1,876,633
DP 6013 - 2011 Biennium Pay Plan - HB 13										
51	0.00	7,230	480	1,920	9,630	0.00	21,780	1,470	5,880	29,130
DP 6014 - Pay Plan Lump Sum Payment OTO										
51	0.00	4,202	286	1,144	5,632	0.00	0	0	0	0
DP 6101 - HB 2 Fixed Cost Workers Comp Management Program										
51	0.00	427	142	379	948	0.00	370	123	329	822
DP 6104 - Made in Montana Program										
51	0.00	100,000	0	0	100,000	0.00	100,000	0	0	100,000
DP 6105 - 2 Percent Unspecified Reduction of General Fund										
51	0.00	(54,421)	0	0	(54,421)	0.00	(54,421)	0	0	(54,421)
DP 6106 - 2010 Decennial Census- OTO										
51	0.00	51,085	0	0	51,085	0.00	39,397	0	0	39,397
DP 6107 - Biomedical Research Grant										
51	0.00	0	2,500,000	0	2,500,000	0.00	0	0	0	0
DP 8101 - Increasing 4% Vacancy Savings to 7%										
51	0.00	(39,344)	(2,622)	(10,488)	(52,454)	0.00	(39,450)	(2,632)	(10,528)	(52,610)
Total	2.00	\$1,945,798	\$2,498,286	(\$7,045)	\$4,437,039	2.00	\$1,944,309	(\$1,039)	(\$4,319)	\$1,938,951

DP 5190 - BRD New Worker Training -OTO - The legislature approved one time only funding for workforce training grants through the new worker training program from the Department of Commerce. Program funding appropriated is \$1,876,619 in FY 2010 and \$1,876,633 in FY 2011.

DP 6013 - 2011 Biennium Pay Plan - HB 13 - The legislature passed a pay plan that provides an additional \$53 per month in health insurance contribution for CY 2010 and an additional \$54 per month for CY 2011. These amounts represent this program's allocation of costs to fund this pay plan. In addition, the legislature provided a one-time-only payment of \$450 for all employees earning less than \$45,000 annually. These costs are included in DP 6014.

DP 6014 - Pay Plan Lump Sum Payment OTO - This DP funds this program's cost of providing a one-time-only payment of \$450 to each full-time employee making less than \$45,000 annually and \$225 for half-time employees making \$21.635 per hour or less.

DP 6101 - HB 2 Fixed Cost Workers Comp Management Program - Funding was approved as a fixed cost for agencies to pay fees, based on the average number of payroll warrants issued per pay period, to support the worker's compensation management program in the Department of Administration.

DP 6104 - Made in Montana Program - The legislature approved an appropriation in the amount of \$100,000 of general fund each year for the Made in Montana program to provide technical (business-to-business) marketing information and coaching to selected Montana businesses.

DP 6105 - 2 Percent Unspecified Reduction of General Fund - This item provides an unspecified reduction in general fund of 2 percent for the agency. Language included in the bill allows the agency to allocate the reduction in funding among programs when developing 2011 biennium operating plans.

DP 6106 - 2010 Decennial Census- OTO - The legislature approved a one-time-only general fund appropriation of \$51,085 in FY 2010 and \$39,397 in FY 2011 for the Census and Economic Information Center to continue its long standing commitment and partnership with the U.S. Census Bureau and take full responsibility for promoting the decennial census in Montana and coordinate with the Census Bureau, the 56 counties, and the 126 incorporated cities/towns and numerous organizations and educational institutions throughout the state in an effort to ensure an accurate population count for the state.

DP 6107 - Biomedical Research Grant - This item is for a one-time-only biennial \$2.5 million state special revenue appropriation for a grant to support innovative biomedical research in Montana. The grant will be used to expand, renovate, and purchase equipment for biomedical research and to expand infrastructure that will enhance the scientific collaborations between independent non-profit researchers and researchers in the Montana University System. Funds will be used to leverage additional private or federal funds.

DP 8101 - Increasing 4% Vacancy Savings to 7% - The legislature approved an additional 3 percent per year to the 4 percent personal services vacancy savings reduction contained in the statewide present law adjustment.

Other Legislation

HB 645 – This bill is the appropriations bill for funds received by the state from the federal government under the American Recovery and Reinvestment Act (ARRA) of 2009. Additional federal funding provided by ARRA enabled the legislature to “free-up” general fund in some agencies and concurrently appropriate those freed-up general fund monies for other programs that were consistent with the objectives of the federal act. The legislature appropriated \$13.46 million to the Business Resources Division of this freed-up general fund for funding of items that were originally proposed to be funded in HB 2 and for new economic development and enhancement projects. Two programs, Tribal Economic Development (\$1.6 million over the biennium) and Montana Main Street (\$250,000 over the biennium) had been funded in HB 2, but funding was also provided in HB 645 along with contingent voidance language that eliminated the HB 2 appropriation for each of the programs. Additional items that the legislature provided general fund appropriation for included:

- The Distressed Wood Products Industry Revolving Loan Program as created by HB 669, \$7.5 million over the biennium
- The New Worker Training Program, \$1.3 million over the biennium. This amount is in addition to the amount funded in HB 2
- Biomass Energy Study, \$475,000 over the biennium to study the economic feasibility of energy production using biomass collected from forest products industry and agricultural bi-products
- Montana Agro-Energy Industrial Park, \$300,000 over the biennium for the development of an industrial park in conjunction with the Bear Paw economic development corporation
- Community Services Planning Grant, \$25,000 over the biennium to financially assist not-for-profit organizations in preparing grant applications
- High-Performance Computing, \$2.0 million over the biennium to defray a portion of the costs of the Butte supercomputing center
- The legislature also appropriated \$1.83 million specifically dedicated or “siloed” federal funds for the Community Development Block Grant Program in addition to the appropriation in HB 2.

Language and Statutory Authority

The legislature added the following language to HB 2:

“The line item for New Worker Training is to provide training funds for businesses to train and educate both new and existing employees, which will result in the retention and creation of high-wage and high-skilled jobs that will increase the earning potential and employment opportunities for Montana employees and enhance the state's economy. The line item for New Worker Training is intended to be implemented using a framework similar to that established under the primary sector business workforce training act provided for in title 39, chapter 11, except that the New Worker Training appropriation line item is to be used to train and educate both new and existing employees.

Business Resources Division includes unspecified reductions in general fund money of \$54,421 in fiscal year 2010 and \$54,421 in fiscal year 2011. The agency may allocate these reductions in funding among programs when developing 2011 biennium operating plans.”

Program Budget Comparison

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

Program Budget Comparison								
Budget Item	Base Fiscal 2008	Approp. Fiscal 2009	Budget Fiscal 2010	Budget Fiscal 2011	Biennium Fiscal 08-09	Biennium Fiscal 10-11	Biennium Change	Biennium % Change
Operating Expenses	636,359	763,268	775,226	750,000	1,399,627	1,525,226	125,599	8.97%
Grants	0	0	0	0	0	0	0	n/a
Total Costs	\$636,359	\$763,268	\$775,226	\$750,000	\$1,399,627	\$1,525,226	\$125,599	8.97%
General Fund	0	0	0	0	0	0	0	n/a
State Special	636,359	763,268	775,226	750,000	1,399,627	1,525,226	125,599	8.97%
Total Funds	\$636,359	\$763,268	\$775,226	\$750,000	\$1,399,627	\$1,525,226	\$125,599	8.97%

Program Description

Program Mission: To strengthen Montana's economy through the promotion of the state as a vacation destination and film location; by maximizing the combined talents and abilities of its staff and with guidance from the Governor's Tourism Advisory Council; the Montana Promotion Division strives to promote a quality experience to visitors while encouraging preservation of Montana's environment and quality of life.

The Montana Promotion Division functions to increase visitor travel, visitor expenditures, and film production in the state. This is accomplished through various marketing efforts, networking with the state's public and private sector tourism and recreation industry and agencies, and providing education and development assistance. The division works to project a positive image of the state through consumer advertising, electronic marketing, public relations efforts, international and domestic group travel marketing, printing and distribution of literature, assisting in the development of tourism infrastructure, and marketing to motion picture and television production companies. The division provides training and assistance to the Montana tourism industry, administers, and distributes infrastructure grants and oversees expenditures of six regional non-profit corporations and the eleven qualified convention and visitors bureaus.

Montana Promotion Division responsibilities are mandated primarily in Title 15, Chapter 65, and Title 2, Chapter 15, MCA.

Program Highlights

Montana Promotion Division HB 2 Budget Highlights	
◆	The increase of 9 percent from the 2009 biennium to the 2011 biennium is due to statewide present law adjustments and an increase in private matching funds
◆	The HB 2 appropriation is about 5 percent of total expenditures with the remainder statutory appropriations from the bed tax

Funding

The following table shows program funding, by source, for the base year and for the 2011 biennium as adopted by the legislature.

Program Funding	Base FY 2008	% of Base FY 2008	Budget FY 2010	% of Budget FY 2010	Budget FY 2011	% of Budget FY 2011
02000 Total State Special Funds	\$ 636,359	100.0%	\$ 775,226	100.0%	\$ 750,000	100.0%
02116 Accommodation Tax Account	6,327	1.0%	25,226	3.3%	-	-
02154 Mt Promotion-Private	<u>630,032</u>	<u>99.0%</u>	<u>750,000</u>	<u>96.7%</u>	<u>750,000</u>	<u>100.0%</u>
Grand Total	<u>\$ 636,359</u>	<u>100.0%</u>	<u>\$ 775,226</u>	<u>100.0%</u>	<u>\$ 750,000</u>	<u>100.0%</u>

The Montana Promotion Division is funded entirely by state special revenues. \$750,000 annually is from private contributions to joint private/state targeted advertising campaigns. The remaining funding is appropriated from a portion of the 4 percent Montana lodging facility use tax “remaining after statutory deductions” and these are presented in the first year of the biennium for legislative audit costs.

The portion of the division’s budget that is considered by the legislature in HB 2 is less than 5 percent of the division’s total budget for the 2011 biennium. The remaining \$31.38 million biennium budget is funded by the statutorily appropriated lodging facility use tax. The following brief description of how these funds are apportioned to the Montana Promotion Division is for informational purposes so that the division’s entire funding can be clearly understood.

Montana has a seven percent tax on lodging facilities in the state. The total tax is divided into two parts:

- The 1987 Legislature enacted a 4 percent lodging facility use tax. This tax equals 4 percent of the rate charged on accommodations and is collected from customers of the facility upon payment. The tax can only be based on the fees charged for lodging and cannot include the costs for meals, transportation, entertainment, or any other similar charges. The revenues are distributed as discussed below.
- The 2003 Legislature enacted a 3 percent lodging sales & use tax. This tax, imposed for the “privilege of using property or services within this state”, is equal to 3 percent of the rate charged on accommodations. All revenues are deposited to the general fund.

Pursuant to the statement of intent provided by the legislature when it enacted the 4 percent lodging facility use tax, all proceeds are to be dedicated to the promotion of Montana’s travel and tourism industries. Of the total collections, \$400,000 is allocated to the Montana heritage preservation and development account for the purpose of purchasing, restoring, and maintaining historically significant properties in Montana that are in need of preservation. Additionally, state funds are reimbursed for any lodging facility use tax paid by state employees while on official business, and the Department of Revenue is allowed to keep an amount based on costs of collecting and disbursing the proceeds from the tax (approximately 1 percent of collections). The remaining tax proceeds are statutorily allocated as follows:

- 67.5 percent to the Department of Commerce for promotion and tourism
- 22.5 percent to be distributed by the Department of Commerce to regional nonprofit tourism corporations as defined in 15-65-101(6), MCA
- 6.5 percent to the Department of Fish, Wildlife, and Parks for maintenance of facilities in state parks that have both resident and nonresident use
- 2.5 percent to the Commissioner of Higher Education for operation of the Institute for Tourism and Recreation Research at the University of Montana
- 1 percent to the Montana Historical Society to be used for the installation or maintenance of roadside historical signs and historic sites

The 67.5 percent allocation from the statutory appropriation is used by the department to operate the Montana Promotion Division. The division uses this funding in addition to the state special revenue appropriated in HB 2 to promote the travel and tourism industry in Montana.

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 2010	Budget Fiscal 2011	Biennium Fiscal 10-11	Percent of Budget	Budget Fiscal 2010	Budget Fiscal 2011	Biennium Fiscal 10-11	Percent of Budget
Base Budget	0	0	0	0.00%	636,359	636,359	1,272,718	83.44%
Statewide PL Adjustments	0	0	0	0.00%	18,899	(6,327)	12,572	0.82%
Other PL Adjustments	0	0	0	0.00%	119,968	119,968	239,936	15.73%
New Proposals	0	0	0	0.00%	0	0	0	0.00%
Total Budget	\$0	\$0	\$0		\$775,226	\$750,000	\$1,525,226	

Present Law Adjustments

The “Present Law Adjustments” table shows the changes to the adjusted base budget made by the legislature. “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 2010-----				-----Fiscal 2011-----					
	FTE	General Fund	State Special	Federal Special	Total Funds	FTE	General Fund	State Special	Federal Special	Total Funds
Fixed Costs					18,899					(6,327)
Total Statewide Present Law Adjustments		\$0	\$18,899	\$0	\$18,899		\$0	(\$6,327)	\$0	(\$6,327)
DP 5203 - MPD Private Funds & Audit Adjustments HB0002	0.00	0	119,968	0	119,968	0.00	0	119,968	0	119,968
Total Other Present Law Adjustments	0.00	\$0	\$119,968	\$0	\$119,968	0.00	\$0	\$119,968	\$0	\$119,968
Grand Total All Present Law Adjustments	0.00	\$0	\$138,867	\$0	\$138,867	0.00	\$0	\$113,641	\$0	\$113,641

DP 5203 - MPD Private Funds & Audit Adjustments HB 2 - The legislature approved an appropriation to adjust state special revenue spending authority to the same amount as the prior biennium for private matching funds.

Program Budget Comparison

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

Program Budget Comparison								
Budget Item	Base Fiscal 2008	Approp. Fiscal 2009	Budget Fiscal 2010	Budget Fiscal 2011	Biennium Fiscal 08-09	Biennium Fiscal 10-11	Biennium Change	Biennium % Change
FTE	0.00	0.00	5.00	5.00	0.00	5.00	5.00	n/a
Personal Services	0	0	202,620	204,840	0	407,460	407,460	n/a
Operating Expenses	0	0	0	0	0	0	0	n/a
Total Costs	\$0	\$0	\$202,620	\$204,840	\$0	\$407,460	\$407,460	n/a
General Fund	0	0	202,620	204,840	0	407,460	407,460	n/a
Total Funds	\$0	\$0	\$202,620	\$204,840	\$0	\$407,460	\$407,460	n/a

Program Description

Mission: To promote and develop additional energy distribution capacity and energy infrastructure that will allow the development of Montana's abundant energy resources including wind, bio-fuels, geothermal, biomass and clean coal gasification, liquefaction, and power production which uses carbon sequestration technologies when possible.

The Energy Infrastructure Promotion and Development (EIPD) Division facilitates the promotion, planning, development, economic analysis, and coordination of energy facilities that impact Montana.

Presently seven states, all located in the western US, have created infrastructure authorities. These include the Colorado Clean Energy Authority, the Idaho Energy Resources Authority, the Kansas Electric Transmission Authority, the New Mexico Renewable Energy Transmission Authority, the North Dakota Transmission Authority, the South Dakota Energy Infrastructure Authority, and the Wyoming Infrastructure Authority. The Montana EIPD has joined these other states in a recently formed infrastructure association and is participating in meetings to share information and lessons learned on how to get energy infrastructure developed in each respective state.

The purpose of all of these authorities is to help get critical infrastructure projects built such as power transmission lines to move largely renewable energy resources from remote intermountain and upper Great Plains regions to growing load centers in the west. EIPD projects to date include four major transmission projects (Montana Alberta Tie Line, Mountain States Transmission Intertie, Colstrip 500 kV upgrades, and the Northern Lights HVDC transmission line), the Enbridge oil pipeline upgrades, coordination of the Section 368 Federal Transmission Corridors comments, two potential gas pipeline projects, as well as facilitating a wide array of energy generation projects ranging from advanced coal projects such as the Malmstrom CTL project to tracking over 50 wind energy projects totaling over 5000 MW of power production in the state.

Program Highlights

Energy Promotion and Development Division HB 2 Budget Highlights	
◆	The legislature approved a \$400,000 one-time-only appropriation to fund the program for the biennium including the addition of 5.0 FTE
HB 645 Budget Highlights	
◆	The legislature added \$510,000 for the Energy Promotion and Development Division in addition to the appropriation in HB 2

Funding

The following table shows program funding, by source, for the base year and for the 2011 biennium as adopted by the legislature.

Program Funding Table				
Energy Promotion & Dev Division				
Program Funding	Budget	% of Budget	Budget	% of Budget
	FY 2010	FY 2010	FY 2011	FY 2011
01000 Total General Fund	\$ 202,620	100.0%	\$ 204,840	100.0%
01100 General Fund	202,620	100.0%	204,840	100.0%
Grand Total	\$ 202,620	100.0%	\$ 204,840	100.0%

This program is entirely funded from the general fund. This program has been and is currently funded with a one-time-only appropriation. As such the funding and expense information from the prior biennium has been removed. HB 645 contains an additional appropriation of \$510,000 for the biennium beyond the funding contained in HB 2.

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 2010	Budget Fiscal 2011	Biennium Fiscal 10-11	Percent of Budget	Budget Fiscal 2010	Budget Fiscal 2011	Biennium Fiscal 10-11	Percent of Budget
Base Budget	0	0	0	0.00%	0	0	0	0.00%
Statewide PL Adjustments	0	0	0	0.00%	0	0	0	0.00%
Other PL Adjustments	0	0	0	0.00%	0	0	0	0.00%
New Proposals	202,620	204,840	407,460	100.00%	202,620	204,840	407,460	100.00%
Total Budget	\$202,620	\$204,840	\$407,460		\$202,620	\$204,840	\$407,460	

New Proposals

Program	FTE	-----Fiscal 2010-----				-----Fiscal 2011-----				
		General Fund	State Special	Federal Special	Total Funds	FTE	General Fund	State Special	Federal Special	Total Funds
DP 5192 - EPDD Energy Division -Reauthorize OTO RST										
55	5.00	200,000	0	0	200,000	5.00	200,000	0	0	200,000
DP 6013 - 2011 Biennium Pay Plan - HB 13										
55	0.00	1,600	0	0	1,600	0.00	4,840	0	0	4,840
DP 6014 - Pay Plan Lump Sum Payment OTO										
55	0.00	1,020	0	0	1,020	0.00	0	0	0	0
Total	5.00	\$202,620	\$0	\$0	\$202,620	5.00	\$204,840	\$0	\$0	\$204,840

DP 5192 - EPDD Energy Division -Reauthorize OTO RST - The legislature approved a one-time-only, restricted appropriation of \$200,000 general fund annually for the 2011 biennium to continue the operation of the division.

DP 6013 - 2011 Biennium Pay Plan - HB 13 - The legislature passed a pay plan that provides an additional \$53 per month in health insurance contribution for CY 2010 and an additional \$54 per month for CY 2011. These amounts represent this program's allocation of costs to fund this pay plan. In addition, the legislature provided a one-time-only payment of \$450 for all employees earning less than \$45,000 annually. These costs are included in DP 6014.

DP 6014 - Pay Plan Lump Sum Payment OTO - This DP funds this program's cost of providing a one-time-only payment of \$450 to each full-time employee making less than \$45,000 annually and \$225 for half-time employees making \$21.635 per hour or less.

Other Legislation

HB 645 – This bill is the appropriations bill for funds received by the state from the federal government under the American Recovery and Reinvestment Act (ARRA) of 2009. Additional federal funding provided by ARRA enabled the legislature to “free-up” general fund in some agencies and concurrently appropriate those freed-up general fund monies for other programs that were consistent with the objectives of the federal act. Of these funds, the legislature added \$510,000 over the biennium to the Energy Promotion and Development Division. These funds combined with the appropriated amount in HB 2 bring the total funding for the program to \$910,000 over the biennium.

Program Budget Comparison

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

Program Budget Comparison								
Budget Item	Base Fiscal 2008	Approp. Fiscal 2009	Budget Fiscal 2010	Budget Fiscal 2011	Biennium Fiscal 08-09	Biennium Fiscal 10-11	Biennium Change	Biennium % Change
FTE	15.00	15.00	16.00	16.00	15.00	16.00	1.00	6.67%
Personal Services	902,064	977,700	1,018,657	1,026,982	1,879,764	2,045,639	165,875	8.82%
Operating Expenses	371,226	528,133	581,756	575,483	899,359	1,157,239	257,880	28.67%
Equipment & Intangible Assets	0	0	0	0	0	0	0	n/a
Local Assistance	0	0	0	0	0	0	0	n/a
Grants	6,969,025	7,858,100	12,427,379	9,490,454	14,827,125	21,917,833	7,090,708	47.82%
Total Costs	\$8,242,315	\$9,363,933	\$14,027,792	\$11,092,919	\$17,606,248	\$25,120,711	\$7,514,463	42.68%
General Fund	434,130	458,282	542,908	545,088	892,412	1,087,996	195,584	21.92%
State Special	1,629,025	2,671,485	5,575,054	2,642,098	4,300,510	8,217,152	3,916,642	91.07%
Federal Special	6,179,160	6,234,166	7,909,830	7,905,733	12,413,326	15,815,563	3,402,237	27.41%
Total Funds	\$8,242,315	\$9,363,933	\$14,027,792	\$11,092,919	\$17,606,248	\$25,120,711	\$7,514,463	42.68%

Program Description

The original enabling legislation for the Department of Commerce was the Planning and Economic Development Act of 1967. The missions of the Community Development Division (CDD) are primarily mandated in Title 90, Chapter 1 and Chapter 6, MCA; and federal authorizations 24 CFR 570, subpart 1; and 42 USC 5301.

The CDD administers three programs directly:

- The Community Technical Assistance Program (CTAP)
- The Community Development Block Grant Program (CDBG)
- The Treasure State Endowment Program (TSEP)

Two citizen boards, appointed by the Governor, are attached to the CDD for administrative purposes. The division provides office facilities, staff, and administrative support for the two boards:

- The Montana Coal Board
- The Montana Hard Rock Mining Impact Board

These five programs provide both financial and technical assistance to Montana communities, local elected officials and staff, nonprofit organizations, private sector developers and consultants, state and federally-recognized Indian Tribes, and private citizens. Other assisted entities include local planning boards and zoning commissions, community development corporations, human resource development councils, water and sewer districts, fire departments, and housing authorities.

Program Highlights

Community Development Division HB 2 Budget Highlights
<ul style="list-style-type: none"> ◆ The legislature approved a budget increase of 42.7 percent in the 2011 biennium from the 2009 biennium due to adjustments for increased available funding for state and federal grants ◆ The legislature added 1.00 FTE and \$188,000 state special revenue for an in-house engineer and related operating expenses for the Treasure State Endowment Program

HB 645 Budget Highlights

- ◆ Grant programs funded by the legislature in HB 645 to be administered by the Community Development Division include:
 - \$4.0 million for historic preservation
 - \$10.0 million for city infrastructure projects
 - \$10.0 million for county infrastructure projects
 - \$5.0 million for tribal governments
 - \$20.0 million for school districts
 - \$14.95 million for school energy efficiency improvements

Program Narrative

The legislature approved spending authority increases for increases in federal CDBG fund availability and for Coal Board and Hard Rock Mining Board local impact grants. The Coal Board was also provided with an increased appropriation for distribution of additional grants from the expected increase in revenue due to the passage of SB 100.

The legislature added 1.0 FTE and associated costs for an in-house engineer for the Treasure State Endowment Program, provided funding for the implementation of HB 13 (the pay plan bill), authorized an increase in vacancy savings for the program, and funded the workers' compensation cost management plan.

In addition to the appropriations in HB 2, the program was impacted by a number of other bills, including significant additional appropriations in HB 645, the state's implementation of the federal stimulus bill. Please see the "Other Legislation" section below.

Funding

The following table shows program funding, by source, for the base year and for the 2011 biennium as adopted by the legislature.

Program Funding Table Community Development Division						
Program Funding	Base FY 2008	% of Base FY 2008	Budget FY 2010	% of Budget FY 2010	Budget FY 2011	% of Budget FY 2011
01000 Total General Fund	\$ 434,130	5.3%	\$ 542,908	3.9%	\$ 545,088	4.9%
01100 General Fund	434,130	5.3%	542,908	3.9%	545,088	4.9%
02000 Total State Special Funds	1,629,025	19.8%	5,575,054	39.7%	2,642,098	23.8%
02049 Hard Rock Mining	418,153	5.1%	540,690	3.9%	540,995	4.9%
02270 Treasure State Endowment	503,580	6.1%	584,813	4.2%	588,364	5.3%
02511 Coal Board Account	707,292	8.6%	4,449,551	31.7%	1,512,739	13.6%
03000 Total Federal Special Funds	6,179,160	75.0%	7,909,830	56.4%	7,905,733	71.3%
03059 Community Development Block	<u>6,179,160</u>	<u>75.0%</u>	<u>7,909,830</u>	<u>56.4%</u>	<u>7,905,733</u>	<u>71.3%</u>
Grand Total	<u>\$ 8,242,315</u>	<u>100.0%</u>	<u>\$ 14,027,792</u>	<u>100.0%</u>	<u>\$ 11,092,919</u>	<u>100.0%</u>

Funding for the program is a combination of general fund, state special revenue, and federal special revenue.

Federal special revenue is the program's largest funding component and includes federal Community Development Block Grant funds of over \$15.8 million. The CDBG funds support local economic development, public facilities projects, housing and neighborhood renewal, and grant proposal planning assistance.

State special revenue funding comprising 32.7 percent of the total funding is dominated by grant funding for TSEP projects and Coal Board programs that fund a variety of local governmental economic and quality of life initiatives. The Coal Board has experienced an unanticipated inflow of funds due to the recent increases in coal prices and production and is seeking additional authority to match the prior biennium funding based on a percentage of total funds available. The Coal Board account receives revenue from a 2.9 percent allocation from the coal severance tax and an allocation from oil and gas production taxes. The Treasure State Endowment Program is funded by interest earnings from the treasure state

endowment fund, a sub-fund within the coal tax trust fund. 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 for a 23-year period, which began in 1993

General fund comprises less than 5 percent of the total funding. Along with a component of state special revenue, the general fund supports the remaining administrative and operational costs of the program. The required state matching funds for the federal CDBG are provided by the general fund as well.

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 2010	Budget Fiscal 2011	Biennium Fiscal 10-11	Percent of Budget	Budget Fiscal 2010	Budget Fiscal 2011	Biennium Fiscal 10-11	Percent of Budget
Base Budget	434,130	434,130	868,260	79.80%	8,242,315	8,242,315	16,484,630	65.62%
Statewide PL Adjustments	73,676	73,536	147,212	13.53%	70,431	65,079	135,510	0.54%
Other PL Adjustments	43,027	43,475	86,502	7.95%	4,302,752	1,304,441	5,607,193	22.32%
New Proposals	(7,925)	(6,053)	(13,978)	(1.28%)	1,412,294	1,481,084	2,893,378	11.52%
Total Budget	\$542,908	\$545,088	\$1,087,996		\$14,027,792	\$11,092,919	\$25,120,711	

Present Law Adjustments

The "Present Law Adjustments" table shows the changes to the adjusted base budget made by the legislature. "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 2010-----				-----Fiscal 2011-----					
	FTE	General Fund	State Special	Federal Special	Total Funds	FTE	General Fund	State Special	Federal Special	Total Funds
Personal Services					89,295					91,935
Vacancy Savings					(39,653)					(39,763)
Inflation/Deflation					2,085					2,726
Fixed Costs					18,704					10,181
Total Statewide Present Law Adjustments		\$73,676	\$24,583	(\$27,828)	\$70,431		\$73,536	\$24,040	(\$32,497)	\$65,079
DP 6002 - CDD Administrative Costs Adjustments HB 2	0.00	43,027	2,499,859	18,701	2,561,587	0.00	43,475	(499,155)	18,956	(436,724)
DP 6003 - CDD CDBG Federal Grants Adjustment HB 2	0.00	0	0	1,741,165	1,741,165	0.00	0	0	1,741,165	1,741,165
DP 6004 - Coal Board Local Impact Grants (BIEN)	0.00	0	0	0	0	0.00	0	0	0	0
Total Other Present Law Adjustments	0.00	\$43,027	\$2,499,859	\$1,759,866	\$4,302,752	0.00	\$43,475	(\$499,155)	\$1,760,121	\$1,304,441
Grand Total All Present Law Adjustments	0.00	\$116,703	\$2,524,442	\$1,732,038	\$4,373,183	0.00	\$117,011	(\$475,115)	\$1,727,624	\$1,369,520

DP 6002 - CDD Administrative Costs Adjustments HB 2 - The legislature approved funding for per diem for the Hard Rock Mining Impact Board and Coal Board and the maintenance of a reserve account that is set forth in statute for the Hard Rock Mining Impact Board. Additional costs of the decision package include a rent adjustment, local impact grants for the Coal Board, and authority to disperse funds to the counties from the hard-rock mining impact trust account.

DP 6003 - CDD CDBG Federal Grants Adjustment HB 2 - The legislature approved an appropriation to adjust for federal grants received by the Community Development Division for the Community Development Block Grant (CDBG) program for estimated federal authority in the 2011 biennium.

DP 6004 - Coal Board Local Impact Grants (BIEN) - This decision package is to account for a technical amendment to HB 2 in the House Appropriations committee to make funding available on a biennial basis for the Coal Board to make local impact grants to counties as done in prior biennia. There is no financial impact due to this decision package.

New Proposals

New Proposals Program	-----Fiscal 2010-----					-----Fiscal 2011-----					
	FTE	General Fund	State Special	Federal Special	Total Funds	FTE	General Fund	State Special	Federal Special	Total Funds	
DP 6001 - CDD TSEP Engineer HB 2	60	1.00	0	94,000	0	94,000	1.00	0	94,000	0	94,000
DP 6005 - Increased Coal Board Grants due to SB 100	60	0.00	0	1,336,784	0	1,336,784	0.00	0	1,399,859	0	1,399,859
DP 6013 - 2011 Biennium Pay Plan - HB 13	60	0.00	1,957	3,093	426	5,476	0.00	5,905	9,341	1,279	16,525
DP 6014 - Pay Plan Lump Sum Payment OTO	60	0.00	2,038	2,615	520	5,173	0.00	0	0	0	0
DP 6101 - HB 2 Fixed Cost Workers Comp Management Program	60	0.00	181	324	98	603	0.00	157	281	85	523
DP 8101 - Increasing 4% Vacancy Savings to 7%	60	0.00	(12,101)	(15,229)	(2,412)	(29,742)	0.00	(12,115)	(15,293)	(2,415)	(29,823)
Total	1.00	(\$7,925)	\$1,421,587	(\$1,368)	\$1,412,294	1.00	(\$6,053)	\$1,488,188	(\$1,051)	\$1,481,084	

DP 6001 - CDD TSEP Engineer HB 2 - The legislature approved funding for 1.00 FTE and \$94,000 state special revenue each year of the biennium for an in-house engineer and related operating expenses for the Treasure State Endowment Program.

DP 6005 - Increased Coal Board Grants due to SB 100 - The legislature approved appropriation for coal board local impact grants to accommodate the projected increase in available grant funds due to the passage and approval of Senate Bill 100, increasing the percentage allocation of the coal severance tax to the oil, gas, and coal natural resource account.

DP 6013 - 2011 Biennium Pay Plan - HB 13 - The legislature passed a pay plan that provides an additional \$53 per month in health insurance contribution for CY 2010 and an additional \$54 per month for CY 2011. These amounts represent this program's allocation of costs to fund this pay plan. In addition, the legislature provided a one-time-only payment of \$450 for all employees earning less than \$45,000 annually. These costs are included in DP 6014.

DP 6014 - Pay Plan Lump Sum Payment OTO - This DP funds this program's cost of providing a one-time-only payment of \$450 to each full-time employee making less than \$45,000 annually and \$225 for half-time employees making \$21.635 per hour or less.

DP 6101 - HB 2 Fixed Cost Workers Comp Management Program - Funding was approved as a fixed cost for agencies to pay fees, based on the average number of payroll warrants issued per pay period, to support the worker's compensation management program in the Department of Administration.

DP 8101 - Increasing 4% Vacancy Savings to 7% - The legislature approved an additional 3 percent per year to the 4 percent personal services vacancy savings reduction contained in the statewide present law adjustment.

Other Legislation

HB 645 - This bill is the appropriations bill for funds received by the state from the federal government under the American Recovery and Reinvestment Act (ARRA) of 2009. The Community Development Division was provided with appropriations totaling \$49 million in the bill for distribution of grants to cities, counties, tribes, and for historic preservation.

A total of \$45 million (\$25 million general fund and \$20 million state special revenue) was appropriated by the legislature for distribution to local governments, tribal governments, and school districts. Of the total, \$10 million must be allocated to Montana counties, \$10 million must be allocated to Montana cities and towns, and \$5 million must be allocated to tribal

governments. The language of the bill provides an allocation formula for grants to cities and counties that includes a fixed amount plus a variable formula component. The distributions to tribal governments must be made available through the state-tribal economic development commission and each tribe must be allocated at least \$200,000.

The remaining \$20 million of the appropriation is to be distributed to school districts based upon the formula for distributing the quality educator payment provided for in 20-9-327 MCA. The funding for the school districts is for deferred maintenance on school facilities and for making energy efficiency improvements.

The department may retain 1.13% of the amount of the grants to counties, cities, towns, tribal governments, and school districts for administrative purposes.

The legislature included a \$4.0 million general fund appropriation over the biennium in the bill for historic preservation grants. The following projects were enumerated in the language of the bill:

- \$50,000 must be used for the restoration and preservation of the historic Daly mansion
- \$40,000 must be allocated to the historic St. Mary's mission maintenance and restoration project
- \$180,000 must be used for the restoration and preservation of the travelers' rest historic site
-
- The remaining amount is to be distributed through a competitive grant process similar to the Treasure State Endowment Program. Additional guidance was provided by the legislature within the language of the bill regarding factors that the department may consider in the evaluation of grant applications.

The bill also provided an additional \$23 million in funding for the Treasure State Endowment Program (TSEP) and the legislature added an appropriation of \$160,573 state special revenue to the Community Development Division over the biennium for the administrative costs related to the added grant funding.

Program Description

Mission: To develop and maintain statewide financing programs which provide for and maintain access to the broadest range of low-cost capital financings as possible for eligible non-profit private and public institutions, to promote affordable access to and availability of services for the consumer.

The Facility Finance Authority was created by the 1983 Legislature to assist health care and related facilities in containing future health care costs by offering debt financing or refinancing at low-cost, tax-exempt interest rates for buildings and capital equipment. The legislature extended eligible facilities to include community pre-release centers.

The authority is primarily mandated in Title 90, Chapter 7 and Title 2, Chapter 15, MCA.

Program Highlights

Facilities Finance Authority HB 2 Budget Highlights
◆ 2011 biennium fees/rates remain the same as prior biennium

Funding

The Facility Finance Authority is funded entirely by proprietary funds with revenues collected from interest, fees, and charges from participating institutions. There are no direct appropriations provided, nor are the rates approved in HB 2.

Proprietary Rates**Proprietary Program Description**

The Facility Finance Authority issues bonds and then uses the proceeds of those bonds to provide debt financing or refinancing at low-cost, tax-exempt interest rates for buildings and capital equipment. Customers include health care and related facilities, entities serving persons with development and/or mental disabilities, and prerelease/methamphetamine treatment centers.

There has not been any significant program, service, or customer base change since the last session.

Proprietary Revenues and Expenses*Revenue Description*

The Facility Finance Authority is funded entirely by proprietary funds (enterprise accounting entities 06012 and 06015) with revenues collected from interest, fees, and charges from participating institutions. There are no direct appropriations provided in HB 2.

The authority application and annual administrative fee assessments are contingent upon its business volume. Customer volume is assumed to be at the current level throughout the 2011 biennium.

Expense Description

The major cost drivers within the Facilities Finance Authority are personal services, operating expenses, grants, and expenditures related to the periodic replacement of computer equipment. Base year program costs were allocated primarily to:

- Personal Services (\$153,131) supported costs for 3.0 FTE
- Operating Expenses (\$184,079) made up of assorted administrative expenses
- Grants (\$38,396) for special projects

There is little uncertainty in forecasting future costs of major cost drivers, unless the authority were to become involved in litigation related to the issuance and maintenance of bonds.

For the purposes of this analysis, it is assumed the authority's ongoing work and customer levels remain constant. Non-typical and one time only expenses, if any, are subtracted from any proposed budgets. Personal services expenditures fund 3.00 FTE and board member per diem.

Present LawDP 7101 – Overtime, Per Diem, Travel and Administrative Costs

The rates include overtime, per diem, travel, administrative costs in the amount of \$36,600 in FY 2010 and \$37,014 in FY 2011 in Facility Finance Authority Program. The funding source for the request is a proprietary fund.

New Proposals

DP 6101 - Fixed Cost Workers Comp Management Program Allocation - The Workers' Compensation Management program at the Department of Administration was funded by the 2007 Legislature with a one-time-only general fund appropriation. For the 2011 biennium and beyond, the program will be funded via a fixed cost allocation. The allocation is based upon the average number of payroll warrants issued per pay period.

Working Capital Discussion:

The 60 day Working Capital Calculation is not applicable to the authority because national bond rating agencies, national bond insurers, and institutional investors expect the authority to reserve two years operating capital (approximately \$907,194) to assure that the authority can financially operate between legislative sessions.

Fund Equity and Reserved Fund Balance:

The total fund equity requirement for the 2011 biennium (\$13,805,340) is derived from the following Authority Program Reserve mandates:

- Biennium Working Capital Reserve: \$900,334
- Capital Reserve Account (Loan Loss Reserve): \$11,778,034
- Facility Direct Loan Program Reserve: \$1,126,972

Proprietary Rate Explanation

The Facilities Finance Authority is funded by an enterprise fund (accounting entities 06012 and 06015) and authority customers are outside of state government. The fee structure does not materially vary from the last session.

Program Budget Comparison

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

Program Budget Comparison								
Budget Item	Base Fiscal 2008	Approp. Fiscal 2009	Budget Fiscal 2010	Budget Fiscal 2011	Biennium Fiscal 08-09	Biennium Fiscal 10-11	Biennium Change	Biennium % Change
FTE	6.50	6.50	5.50	5.50	6.50	5.50	(1.00)	(15.38%)
Personal Services	290,620	347,001	302,822	306,681	637,621	609,503	(28,118)	(4.41%)
Operating Expenses	299,904	537,214	361,301	356,872	837,118	718,173	(118,945)	(14.21%)
Equipment & Intangible Assets	97,650	0	97,650	97,650	97,650	195,300	97,650	100.00%
Local Assistance	0	0	0	0	0	0	0	n/a
Grants	5,270,867	5,640,847	8,509,070	8,616,974	10,911,714	17,126,044	6,214,330	56.95%
Benefits & Claims	0	0	0	0	0	0	0	n/a
Transfers	0	0	0	0	0	0	0	n/a
Total Costs	\$5,959,041	\$6,525,062	\$9,270,843	\$9,378,177	\$12,484,103	\$18,649,020	\$6,164,917	49.38%
General Fund	9,860	50,407	196	288	60,267	484	(59,783)	(99.20%)
State Special	661	354,225	150,000	150,000	354,886	300,000	(54,886)	(15.47%)
Federal Special	5,948,520	6,120,430	9,120,647	9,227,889	12,068,950	18,348,536	6,279,586	52.03%
Total Funds	\$5,959,041	\$6,525,062	\$9,270,843	\$9,378,177	\$12,484,103	\$18,649,020	\$6,164,917	49.38%

Program Description

Agency Mission: To provide mechanisms that enable Montanans to own or rent decent, safe, and sanitary housing that is within their financial capability.

The Housing Division established on July 1, 1995, consolidated housing programs within the Department of Commerce into one division. The programs that are administrated within the Housing Division are:

- The Housing Assistance Bureau, consisting of three programs:
 - The Housing and Urban Development (HUD) Section 8 rental assistance program. This program is segregated into two functional operations:
 1. The HUD Tenant Based Section 8 housing program whereby 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 percent of their income toward rent and utilities.
 2. The HUD Project Based Section 8 housing program whereby the program performs annual property reviews, oversees property management, and makes rent subsidy payments to owners.
 - The Housing and Urban Development (HUD) HOME Investment Partnerships program. The HOME program provides grant funds to eligible local government entities and Community Housing Development Organizations for assistance in financing new construction or rehabilitation of individual home or rental units, tenant based rental assistance, and other eligible activities.
 - Montana's Manufactured Home Replacement (MHR) program. This program administers a revolving loan fund to finance the replacement of substandard manufactured homes with newer, energy-efficient manufactured homes.
 - The Board of Housing (BOH). 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, and subject to the confirmation of the State Senate. The BOH is funded by enterprise funds with revenue derived from administrative charges applied to projects and mortgages financed. The board's programs include:
 - The Homeownership Program
 - Multifamily Loan Program
 - Low Income Housing Tax Credit Program
 - Housing Montana Fund
 - The Reverse Annuity Mortgage (RAM) Program

Housing Division responsibilities are mandated primarily in Title 2, Chapter 15; Title 90, Chapter 1, and Chapter 6, MCA; 24 CFR 91, and 92; 24 CFR 5, 792, 813, 887, 982, and 984; and the Governor's Executive Order 27-81.

Program Highlights

Housing Division HB 2 Budget Highlights	
◆	The legislature approved a budget increase of 49.4 percent in the 2011 biennium from the 2009 biennium due to \$6.3 million in adjustments for federal grants
◆	The legislature removed 1.0 FTE and associated operating costs from the Montana Manufactured Home Replacement Program

Program Narrative

The legislature approved a decision package to remove 1.0 FTE and related operating costs from the Montana Manufactured Home Replacement program. This was the only FTE funded directly through the program. The program has on-going functions that will be maintained through existing bureaus. Remaining functions are funded through a non-budgeted enterprise account and therefore are not appropriated in HB 2

The legislature added funding for implementation of HB 13, the pay plan bill, adjustments in federal grant availability, administrative cost adjustments, and the workers' compensation cost management plan.

Funding

The following table shows program funding, by source, for the base year and for the 2011 biennium as adopted by the legislature.

Program Funding Table							
Housing Division							
Program Funding		Base FY 2008	% of Base FY 2008	Budget FY 2010	% of Budget FY 2010	Budget FY 2011	% of Budget FY 2011
01000	Total General Fund	\$ 9,860	0.2%	\$ 196	0.0%	\$ 288	0.0%
	01100 General Fund	9,860	0.2%	196	0.0%	288	0.0%
02000	Total State Special Funds	661	0.0%	150,000	1.6%	150,000	1.6%
	02575 Mobile Home Revolving Loan Fund	661	0.0%	150,000	1.6%	150,000	1.6%
03000	Total Federal Special Funds	5,948,520	99.8%	9,120,647	98.4%	9,227,889	98.4%
	03110 Hud Comprehensive Counseling	164,625	2.8%	204,625	2.2%	204,625	2.2%
	03300 Home Grants	5,783,895	97.1%	8,916,022	96.2%	9,023,264	96.2%
Grand	Total	<u>\$ 5,959,041</u>	<u>100.0%</u>	<u>\$ 9,270,843</u>	<u>100.0%</u>	<u>\$ 9,378,177</u>	<u>100.0%</u>

The programs funded through HB 2 within the Housing Division are the Housing and Urban Development HOME Investment Partnerships program and Montana's Manufactured Home Replacement program. The HUD HOME program is 100 percent federally funded. Federal funds comprise 93.9 percent of the HB 2 funding for the Housing Division.

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 2010	Budget Fiscal 2011	Biennium Fiscal 10-11	Percent of Budget	Budget Fiscal 2010	Budget Fiscal 2011	Biennium Fiscal 10-11	Percent of Budget
Base Budget	9,860	9,860	19,720	4,074.38%	5,959,041	5,959,041	11,918,082	63.91%
Statewide PL Adjustments	64,998	65,019	130,017	26,863.02%	96,136	93,008	189,144	1.01%
Other PL Adjustments	18,668	18,666	37,334	7,713.64%	3,316,112	3,424,818	6,740,930	36.15%
New Proposals	(93,330)	(93,257)	(186,587)	(38,551.03%)	(100,446)	(98,690)	(199,136)	(1.07%)
Total Budget	\$196	\$288	\$484		\$9,270,843	\$9,378,177	\$18,649,020	

Present Law Adjustments

The "Present Law Adjustments" table shows the changes to the adjusted base budget made by the legislature. "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 2010-----				-----Fiscal 2011-----					
	FTE	General Fund	State Special	Federal Special	Total Funds	FTE	General Fund	State Special	Federal Special	Total Funds
Personal Services					101,936					104,100
Vacancy Savings					(15,702)					(15,789)
Inflation/Deflation					367					426
Fixed Costs					9,535					4,271
Total Statewide Present Law Adjustments		\$64,998	\$149,339	(\$118,201)	\$96,136		\$65,019	\$149,339	(\$121,350)	\$93,008
DP 7405 - HD Administrative Costs Adjustments HB0002	0.00	18,668	0	59,241	77,909	0.00	18,666	0	60,045	78,711
DP 7406 - HD Federal Grants Adjustment HB0002	0.00	0	0	3,238,203	3,238,203	0.00	0	0	3,346,107	3,346,107
Total Other Present Law Adjustments	0.00	\$18,668	\$0	\$3,297,444	\$3,316,112	0.00	\$18,666	\$0	\$3,406,152	\$3,424,818
Grand Total All Present Law Adjustments	0.00	\$83,666	\$149,339	\$3,179,243	\$3,412,248	0.00	\$83,685	\$149,339	\$3,284,802	\$3,517,826

DP 7405 - HD Administrative Costs Adjustments HB 2 - The legislature approved funding to annualize the cost of the mobile home renovation program and adjust other fixed costs such rent and indirect costs to the program.

DP 7406 - HD Federal Grants Adjustment HB 2 - The legislature approved funding to adjust normal ongoing federal appropriations for grants received by the Housing Division to match available federal funds for the 2011 biennium.

New Proposals

Program	-----Fiscal 2010-----					-----Fiscal 2011-----					
	FTE	General Fund	State Special	Federal Special	Total Funds	FTE	General Fund	State Special	Federal Special	Total Funds	
DP 6013 - 2011 Biennium Pay Plan - HB 13	74	0.00	96	0	1,860	1,956	0.00	288	0	5,604	5,892
DP 6014 - Pay Plan Lump Sum Payment OTO	74	0.00	100	0	1,968	2,068	0.00	0	0	0	0
DP 6101 - HB 2 Fixed Cost Workers Comp Management Program	74	0.00	0	0	245	245	0.00	0	0	212	212
DP 7410 - Eliminate Manufactured Home Base Position	74	(1.00)	(92,938)	0	0	(92,938)	(1.00)	(92,952)	0	0	(92,952)
DP 8101 - Increasing 4% Vacancy Savings to 7%	74	0.00	(588)	0	(11,189)	(11,777)	0.00	(593)	0	(11,249)	(11,842)
Total	(1.00)	(\$93,330)	\$0	(\$7,116)	(\$100,446)	(1.00)	(\$93,257)	\$0	(\$5,433)	(\$98,690)	

DP 6013 - 2011 Biennium Pay Plan - HB 13 - The legislature passed a pay plan that provides an additional \$53 per month in health insurance contribution for CY 2010 and an additional \$54 per month for CY 2011. These amounts represent this program's allocation of costs to fund this pay plan. In addition, the legislature provided a one-time-only payment of \$450 for all employees earning less than \$45,000 annually. These costs are included in DP 6014.

DP 6014 - Pay Plan Lump Sum Payment OTO - This DP funds this program's cost of providing a one-time-only payment of \$450 to each full-time employee making less than \$45,000 annually and \$225 for half-time employees making \$21.635 per hour or less.

DP 6101 - HB 2 Fixed Cost Workers Comp Management Program - Funding was approved as a fixed cost for agencies to pay fees, based on the average number of payroll warrants issued per pay period, to support the worker's compensation management program in the Department of Administration.

DP 7410 - Eliminate Manufactured Home Base Position - The legislature approved the removal of the Manufactured Home Position (1.0 FTE) and related costs from the base.

DP 8101 - Increasing 4% Vacancy Savings to 7% - The legislature approved an additional 3 percent per year to the 4 percent personal services vacancy savings reduction contained in the statewide present law adjustment.

Other Legislation

HB 645 - This bill appropriates funds made available through the American Recovery and Reinvestment Act (ARRA) of 2009. The federal funds allocated to the program are for specifically designated purposes in the federal act and, therefore, have been denoted as "siloed" funds. The housing division is provided additional federal funding for distribution of tax credits to qualified housing projects throughout the state. These tax credits fill the gap between eligible amounts and amounts previously available in fiscal years 2007, 2008, and 2009. The total biennial appropriation made available through HB 645 for this purpose is \$7,818,360.

In addition, federal funds are provided to the division for the exchange of a portion of the unused tax credits for the building of low-income housing projects within the state. These funds then can be granted to eligible projects to fill funding gaps to get these projects built in lieu of the tax credit. The total biennial appropriation made available through HB 645 for this purpose is \$30,788,500.

Proprietary Rates

Proprietary Program Description

Board of Housing

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 of Housing is primarily mandated in Title 2, Chapter 15; and Title 90, Chapter 1, and Chapter 6, MCA. 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 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 (06030, 06031, 06078, and 06079) with revenues derived from an administrative charge applied to projects and mortgages financed.

The board recovers its costs from charging application and compliance fees for the Low Income Tax Credit Program and from charging a spread on loan programs. The Board draws funds for its budget from the amounts available within the indentures. The amount of the approved budget, less any cash on hand, is withdrawn from the indenture and is allocated among the various indentures. Any income the Board earns is used to fund special programs that meet the needs of Montana families that are not being met by its regular programs.

Board of Housing Proprietary Revenues and Expenses

Revenues

The board's income is primarily from mortgage and investment income. Mortgage income is the interest people pay on Board loans used to purchase their homes and is limited by the Internal Revenue Service as a condition of using tax-free bonds as a financing source. Mortgage income is also controlled by the national financial markets which set both mortgage rates and bond financing rates. Investment income comes from interest earned on investing reserves the board is required to hold and bond and program moneys not yet used to buy mortgages. Both future mortgage income and investment income for the board depend on the interest rate environment which is determined by the national financial markets. Additional income is derived from charges to the Board of Investments for managing its mortgage loans and for loan cancellations, extensions, or for reviewing certain loan applications.

Investment income includes Government Accounting Standards Board (GASB) market value adjustment. GASB 31 requires that long-term investments be valued at market and any changes since the previous year be added or subtracted from investment income. Since no actual gain or loss occurs, this adjustment artificially affects the investment income amount presented.

Expenses

The board issues (sells) bonds each year to purchase new mortgages. Once the bonds are sold, the board must repay the bondholders by making interest and principal payments. The board is required to use mortgage and investment income to pay bondholders, buy mortgages or pay operating costs. Bond debt payments are the board's greatest expense. The remaining expenses are for loan servicing and operations.

The following budget adjustments factored into the rates that have been approved by the legislature.

Present Law

PL 7401 Board of Housing FTE HB 576- The legislature added 1.00 FTE position to meet increased workload in the Single-Family Homeownership Program. The Single Family Homeownership Program has not increased staff since the mid 1990's.

PL 7403 Software & Software Maint. & Training- This decision package implements software upgrades to key Housing Division applications.

PL 7410 Administrative Costs Adjustments - The approved rates include overtime, per diem, and other administrative adjustments. These adjustments are funded with proprietary funds.

New Proposals

DP 6101 - Fixed Cost Workers Comp Management Program Allocation - The Workers' Compensation Management program at the Department of Administration was funded by the 2007 Legislature with a one-time-only general fund appropriation. For the 2011 biennium and beyond, the program will be funded via a fixed cost allocation. The allocation is based upon the average number of payroll warrants issued per pay period.

Working Capital Discussion

The trust indentures entered into by the board require all mortgages, and all moneys and investments within the indentures, to be legally restricted to uses provided for in the indentures. The fund balance associated with the indentures is legally required to be reserved for those uses as well.

The board's budgeted monies (those projected to be needed for the fiscal year's operations) are drawn down from the indentures during the fiscal year. These funds are legally pledged to the trust indentures from which they were drawn and any associated fund balance is reserved for the program from which the budgeted funds were withdrawn.

Proprietary Rates

The proprietary rates the legislature approved for this program are listed in Section R of HB 2.

Section 8 Housing Proprietary Program Description

Project Based Section 8 Contract Administration (PBS8)

The 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. 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 Program renews rent contracts to project owners as they expire. Contract managers prepare special damage claims, implement annual rent increases, respond to emergencies, check compliance for fair housing and waiting lists, perform on-site management reviews, follow-up to physical inspections, perform review of property management decisions, and provide budget assistance to local property owners.

The Project Based Section 8 program is funded by enterprise accounting entity 06074 with revenues derived from a performance based annual contribution contract with HUD. There are no direct appropriations provided in HB 2.

Tenant Based Section 8 Contract Administration (TBS8)

TBS8 provides rental assistance for very low income families (including elderly and disabled) to ensure they have decent, safe, and sanitary housing, using the 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 percent of their income toward rent and utilities.

The Tenant Based Section 8 program is funded by enterprise accounting entity 06075 with revenues derived from a performance based Annual Contribution Contract with HUD. There are no direct appropriations provided in HB 2.

Revenue

Both Section 8 housing programs are funded entirely by enterprise funds - Project Based Section 8 (PBS8) with accounting entity 06074 and Tenant Based Section 8 (TBS8) with accounting entity 06075. There are no direct appropriations provided in HB 2.

Revenues are generated in the PBS8 Contract Administration under a HUD performance based contract using 17 incentive based performance standards which are calculated by HUD monthly, quarterly, and annually. Revenues for the TBS8 are generated per unit for each rental unit under lease each month.

Expense

Revenues generated are required to be used for contract administration. Rental assistance payments are made based on contracts negotiated by the PBS8 staff and tenant income data, and are paid by the program and reimbursed monthly by HUD, based on actual program benefits paid to owners.

Revenues are used to pay for contract administration of the program. HUD regulations do not allow the program to earn new reserve balances after 2003, and old reserve balances are committed to paying program administration costs only and HUD may require their use to pay rental subsidies in the future. Retained earnings are used to supplement interest earnings and older operating reserves in paying for contract administration costs that exceed current revenues. Rental subsidies are paid by the program and reimbursed by HUD. The program is not allowed to retain any funds for other than the payment of rents under the program.

Fund Equity and Reserved Fund Balance

Fund equity remaining in the accounts is reserved for use on the Section 8 housing programs.

The following budget adjustments factored into the rates that have been approved by the legislature.

Present Law

PL 7402 Housing Assistance Bureau Imaging – The Housing Assistance Bureau received budget authority to institute electronic imaging in the Tenant and Project Based Section 8 housing programs. The programs currently maintains physical files, which occupy a significant amount of prime office space and storage space.

PL 7403 Software & Software Maint. & Training – This decision package implements software upgrades to key Housing Division applications.

PL 7408 Section 8 Housing Assistance Adjustment – The Housing Assistance Bureau is adjusting the amount of rental assistance payments to match costs necessary to assure full payment for leased units in the HUD Tenant and Project Based Section 8 rental assistance programs in the 2011 biennium. These programs need authority in place to match federal budgets for rent payments. Rental assistance payments are projected to increase by 7 percent.

PL 7410 Administrative Cost Adjustment – The executive requests overtime, per diem, overtime and other administrative adjustments. These adjustments are funded with proprietary funds.

Tenant Based Section 8

PL 7402 Housing Assistance Bureau Imaging – The Housing Assistance Bureau received budget authority to institute electronic imaging in the Tenant and Project Based Section 8 housing programs. The programs currently maintains physical files, which occupy a significant amount of prime office space and storage space.

PL 7408 Section 8 Housing Assistance Adjustment – The Housing Assistance Bureau is adjusting the amount of rental assistance payments to match costs necessary to assure full payment for leased units in the HUD Tenant and Project Based Section 8 rental assistance programs in the 2011 biennium. These programs need authority in place to match federal budgets for rent payments. Rental assistance payments are projected to increase by 7 percent.

PL 7410 Administrative Cost Adjustment – The rate includes overtime, per diem, and other administrative adjustments. These adjustments are funded with proprietary funds.

New Proposals*Project Based Section 8*

NP 6102 - Fixed Cost Workers Comp Management Program Allocation - The Workers' Compensation Management program at the Department of Administration was funded by the 2007 Legislature with a one-time-only general fund appropriation. For the 2011 biennium and beyond, the program will be funded via a fixed cost allocation. The allocation is based upon the average number of payroll warrants issued per pay period.

Tenant Based Section 8

NP 6102 - Fixed Cost Workers Comp Management Program Allocation - The Workers' Compensation Management program at the Department of Administration was funded by the 2007 Legislature with a one-time-only general fund appropriation. For the 2011 biennium and beyond, the program will be funded via a fixed cost allocation. The allocation is based upon the average number of payroll warrants issued per pay period.

Proprietary Rates

The proprietary rates the legislature approved for this program are listed in Section R of HB 2.

Program Description

Agency Mission: To provide prudent investment management of state and local government funds; work with financial institutions, state agencies, and local governments to enhance and expand Montana's economy and assist new and expanding Montana businesses; and to lend low-interest funds to eligible governments for a variety of projects.

Article VIII, Section 13 of the Montana Constitution created the Unified Investment Program, which includes all state agency funds. The Board of Investments (board), by law, invests the Unified Investment Program. Local governments may also invest with the board. To facilitate management of the Unified Investment Program, the board created seven investment pools, which operate like mutual funds. Investments not managed in pools are included in "All Other Funds".

1. Retirement Funds Bond Pool
2. Trust Funds Bond Pool
3. Short Term Investment Pool
4. Montana Domestic Stock Pool
5. Montana International Equity Pool
6. Montana Private Equity Pool
7. Montana Real Estate Pool
8. All Other Funds – investments not managed in pools are included in All Other Funds

The In-State Investment Program consists of Montana residential mortgages purchased by the state, two large pension funds, and commercial loans funded by the Coal Tax Trust. The board also issues tax-exempt bonds and lends the proceeds to eligible government agencies for a variety of purposes.

In addition to the board'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 Board administers a number of different loan programs that can be specifically tailored to meet an individual business or local government's needs.

The Board of Investments is funded with both enterprise and internal service type proprietary funds, and no direct appropriations are provided in HB 2.

The Board of Investments' responsibilities are mandated primarily in Article VIII, Section 13 of the Montana Constitution, Title 2, Chapter 15, and Title 17, Chapters 5 and 6, MCA.

Funding

This program is funded entirely with enterprise funds.

Proprietary Rates**Proprietary Program Description**

The Board of Investments operates an internal service fund for the Investment Program with rates approved by the legislature under HB 2. Nearly all Investment Program revenues are generated from charges to each account that the Board invests. The revenue objective of the Investment Program is to fairly assess the costs of operations while maintaining a reasonable and prudent 60 day working capital reserve.

Unified Investment Program

The Board of Investments manages the Unified Investment Program mandated by Article VIII, Section 13 of the Montana Constitution. Statute, 2-15-1808, MCA, created the board of Investments and 17-6-201, MCA, gave the board sole authority to invest state funds. The board also invests local government funds at their discretion. The board manages the portfolio under the "prudent expert principle."

To provide for diversification and reduced risk, the board manages several investment pools in which funds of similar types are invested. The Legislative Auditor audits the Board annually. The board consists of nine members appointed by

the Governor. The board 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.

In-State Investments

Statute, 17-6-305, MCA, authorizes the board to invest 25 percent 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. The Board lends trust fund monies to local governments to fund infrastructure that will serve job-creating businesses located in the government's jurisdiction. The board also lends low-interest monies funded from the trust fund to value-added type businesses creating jobs. Throughout FY 2008, the board purchased Montana residential mortgages with pension funds as part of the In-State Investment Program.

Present Law Adjustments

PL 7501 Fixed Income Analytics System – The Board of Investments manages a \$4.5 billion fixed income portfolio that includes all the state's major trusts, pensions, and the State Fund. The Board has never had access to a fixed-income analytics system that permits a drill down to the security level to provide the type of information needed to assist in managing the portfolios. The Board has hired a new fixed income portfolio manager and has subscribed to an analytical system. This annualized cost adjustment builds the 2011 biennium budget.

PL 7502 Administrative Cost Adjustments – This item is for administrative cost adjustments including overtime, per diem, rent, and subscriptions for a total proprietary funding of \$176,835 in FY 2010 and \$202,706 in FY 2011.

New Proposals

DP 6101 - Fixed Cost Workers Comp Management Program Allocation - Funding was approved as a fixed cost for agencies to pay fees, based on the average number of payroll warrants issued per pay period, to support the worker's compensation management program in the Department of Administration.

Proprietary Rate Explanation

The Board of Investments recovers its costs from the entities that use its services. Typically, this has been done by requesting an estimated maximum level of expenditures and setting the rate as a lump sum at that level.

Please refer to section R for a complete listing of the rates approved by the legislature.

Program Budget Comparison

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

Program Budget Comparison								
Budget Item	Base Fiscal 2008	Approp. Fiscal 2009	Budget Fiscal 2010	Budget Fiscal 2011	Biennium Fiscal 08-09	Biennium Fiscal 10-11	Biennium Change	Biennium % Change
Grants	725,648	725,646	725,648	725,648	1,451,294	1,451,296	2	0.00%
Total Costs	\$725,648	\$725,646	\$725,648	\$725,648	\$1,451,294	\$1,451,296	\$2	0.00%
Federal Special	725,648	725,646	725,648	725,648	1,451,294	1,451,296	2	0.00%
Total Funds	\$725,648	\$725,646	\$725,648	\$725,648	\$1,451,294	\$1,451,296	\$2	0.00%

Program Description

Agency Mission: To provide leadership in the department’s mission of economic and community development and to provide effective, efficient, friendly, and sustainable internal support to department programs and staff.

The Director’s Office/Management Services Division consists of three programs:

- o The Director’s Office provides overall leadership, communication, and management support to the Department of Commerce staff, programs, bureaus, divisions, and administratively attached boards.
- o The Management Services Division (MSD) provides internal support to Department of Commerce staff, programs, bureaus, divisions, and administratively attached boards. Management Services and the Director's Office analyze, with department managers, the statutory, administrative, and programmatic objectives of their programs. The Director’s Office/Management Services Division responsibilities are mandated primarily in Title 2, Chapter 15 and Title 90, Chapter 1, MCA.
- o The Montana Council on Developmental Disabilities is a citizen based advocacy group. Its members, appointed by the Governor, work to provide increased independence, integration and productivity for persons with developmental disabilities. The Council administers federal funds in three major areas:
 1. Assistance in the provision of comprehensive services to persons with developmental disabilities;
 2. Assistance to the state in appropriate planning activities; and
 3. Contracting with public and private agencies to establish model programs, demonstrate innovative habilitation techniques and to train professional and paraprofessional personnel in providing services to persons with developmental disabilities.

MCDD responsibilities are mandated primarily in Title 53, Chapter 20, MCA.

Program Highlights

Director’s Office and Management Services Division
HB 2 Budget Highlights
◆ The legislatively approved budget is unchanged from the prior biennium

Funding

The following table shows program funding, by source, for the base year and for the 2011 biennium as adopted by the legislature.

Program Funding Table						
Director/Management Services						
Program Funding	Base FY 2008	% of Base FY 2008	Budget FY 2010	% of Budget FY 2010	Budget FY 2011	% of Budget FY 2011
03000 Total Federal Special Funds	\$ 725,648	100.0%	\$ 725,648	100.0%	\$ 725,648	100.0%
03441 Ddpac - Dev Disabled Council	725,648	100.0%	725,648	100.0%	725,648	100.0%
Grand Total	<u>\$ 725,648</u>	<u>100.0%</u>	<u>\$ 725,648</u>	<u>100.0%</u>	<u>\$ 725,648</u>	<u>100.0%</u>

The Council on Developmental Disabilities is entirely funded with federal special revenues. The Director's Office/Management Services Division is funded by an internal service proprietary fund from indirect costs charged to all agency programs.

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 2010	Budget Fiscal 2011	Biennium Fiscal 10-11	Percent of Budget	Budget Fiscal 2010	Budget Fiscal 2011	Biennium Fiscal 10-11	Percent of Budget
Base Budget	0	0	0	0.00%	725,648	725,648	1,451,296	100.00%
Statewide PL Adjustments	0	0	0	0.00%	0	0	0	0.00%
Other PL Adjustments	0	0	0	0.00%	0	0	0	0.00%
New Proposals	0	0	0	0.00%	0	0	0	0.00%
Total Budget	\$0	\$0	\$0		\$725,648	\$725,648	\$1,451,296	

Other Legislation

HB645 – This bill is the appropriations bill for funds received by the state from the federal government under the American Recovery and Reinvestment Act (ARRA) of 2009. The legislature added funding through the bill to the program for three items totaling \$15.3 million. The bulk of the funds, \$14.95 million is appropriated for “quick start energy grants”. The department of commerce is to award these grants on a competitive basis to public school districts for projects that provide long-term, cost-effective energy efficiency improvement benefits to school facilities. Distribution of the grant funds is to begin on May 15, 2009 and continue through September 30, 2009. Any funds that are not obligated by the ending date automatically roll into the appropriation for School Facilities Program Administration and Grants, which contains an initial amount of \$34,000 in HB 645. The remaining amount of \$300,000 is appropriated in the bill for “Broadband Mapping”. The funds may be used to develop a statewide broadband inventory map pursuant to the provisions of the federal act.

Proprietary Rates

Proprietary Program Description

The Director's Office provides overall leadership, communication, and management support to the Department of Commerce staff, programs, bureaus, divisions, and administratively attached boards. The office provides executive, administrative, legal, and policy direction along with offering problem-solving guidance. The office keeps abreast of department related issues and acts in a public relations and informational capacity. The office acts as the liaison with private business, local governments, administratively attached boards, public and private interest groups, the legislature, Indian tribes, individuals, other governmental agencies, and the Governor's Office.

The Management Services Division (MSD) provides internal support to Department of Commerce staff, programs, bureaus, divisions, and administratively attached boards. Services provided by the Management Services Division include budgeting, accounting, fiscal management, internal controls, contracting, purchasing, asset management, information technology, human resources, payroll, benefits, training, and assistance with the implementation of and compliance with policies, rules, regulations and statutes.

Funding

The Director's Office/Management Services Division is funded by an internal service proprietary fund from indirect costs charged to all agency programs. This indirect charge is calculated by applying the legislatively approved rate to the actual personal services expenditures of each program.

The following decision packages were approved by the legislature as a component of the approved rate.

Present Law Adjustments

DP 0801 MSD Software and Software Maintenance – The legislature approved additional funds for web site audits and software maintenance.

DP 0804 MSD Administrative Costs Adjustments – The legislature approved adjustments for overtime that are not included in the base year and for increased rent costs for the 2011 biennium.

DP 8105 Correction of Error – This adjustment corrects a posting error to the wrong subclass. The base year expenditure was one-time-only and therefore needs to be removed from the base.

Proprietary Rates

The division calculates a federal indirect cost rate on an annual basis. This rate is a fixed rate for federally funded programs. This rate is then applied against actual federally funded personal services expenditures within the department, not including the Director's Office/ Management Services Division.

The federally calculated rate requires that a carry-forward amount be built into the rate. This carry-forward amount represents the amount the division under-recovered or over-recovered in a given fiscal year. This computation compares what was originally calculated to what actually occurred. The difference is then carried forward into the following year's rate.

The division's indirect cost rate is determined based on guidelines prescribed by the federal government. Additionally, the division complies with 17-3-111, MCA, which requires agencies to calculate a rate that would recover indirect costs to the greatest extent possible. In order to comply with this statute, the division has requested a rate that may vary slightly from the annually calculated federal rate. The rate approved by the legislature is considered a cap; therefore, the division cannot impose a rate higher than what has been approved by the legislature. However, the annually calculated federal rate may be slightly lower.

Please refer to section R for a complete listing of approved rates.