

Agency Legislative Budget								
Budget Item	Base Budget Fiscal 2002	PL Base Adjustment Fiscal 2004	New Proposals Fiscal 2004	Total Leg. Budget Fiscal 2004	PL Base Adjustment Fiscal 2005	New Proposals Fiscal 2005	Total Leg. Budget Fiscal 2005	Total Leg. Budget Fiscal 04-05
FTE	68.50	1.00	(22.50)	47.00	1.00	(22.50)	47.00	47.00
Personal Services	2,767,665	485,690	(975,059)	2,278,296	488,504	(939,115)	2,317,054	4,595,350
Operating Expenses	3,414,705	529,359	(986,857)	2,957,207	478,956	(965,506)	2,928,155	5,885,362
Equipment	0	15,000	25,000	40,000	0	0	0	40,000
Grants	37,857,358	16,374,305	(37,989,502)	16,242,161	14,699,044	(40,003,513)	12,552,889	28,795,050
Benefits & Claims	0	0	197,209	197,209	0	197,209	197,209	394,418
Transfers	0	0	0	0	0	0	0	0
Debt Service	0	0	0	0	0	0	0	0
Total Costs	\$44,039,728	\$17,404,354	(\$39,729,209)	\$21,714,873	\$15,666,504	(\$41,710,925)	\$17,995,307	\$39,710,180
General Fund	1,967,443	237,999	(637,678)	1,567,764	234,494	(617,912)	1,584,025	3,151,789
State/Other Special	2,556,211	(253,622)	186,735	2,489,324	(271,972)	193,218	2,477,457	4,966,781
Federal Special	39,516,074	17,419,977	(39,278,266)	17,657,785	15,703,982	(41,286,231)	13,933,825	31,591,610
Proprietary	0	0	0	0	0	0	0	0
NonExpendable Trust	0	0	0	0	0	0	0	0
Total Funds	\$44,039,728	\$17,404,354	(\$39,729,209)	\$21,714,873	\$15,666,504	(\$41,710,925)	\$17,995,307	\$39,710,180

Agency Description

The Department of Commerce is responsible for working with economic and community development organizations, businesses, communities, governmental entities, elected officials, and the public to diversify and expand the state's economic base through business creation, expansion, and retention and improvement of infrastructure. The major programs within the department include the Business Resources, Community Development, Montana Promotions, and Housing divisions, as well as the Research and Commercialization program, Montana Board of Investments, and the Montana Facility Finance Authority.

Summary of Legislative Action

Department of Commerce Major Budget Highlights
<ul style="list-style-type: none"> ○ The legislative budget funds Coal Board grants from the coal severance tax shared state special revenue account at approximately 70 percent of the fiscal 2002 levels ○ The Community Technical Assistance Program (CTAP) is eliminated, and 5.00 FTE (including 2.25 FTE from CTAP) are reduced within the Community Development Division ○ Funding is removed for the Kumamoto Trade Office within the Trade and International Relations Bureau of the Business Resources Division. Department testimony indicates an intent to fund the Kumamoto Trade Office out of existing appropriations ○ General fund within the Business Resources Division is reduced by \$200,000 to adjust for statutorily-appropriated expenditures erroneously carried into the 2005 biennium ○ 2.00 FTE and additional federal special revenue authority added to Management Services Division with transfer of Developmental Disabilities Planning and Advisory Council from Department of Health and Human Services ○ The legislature eliminated HB 2 funding for Board of Research and Commercialization administrative functions, and passed legislation which allows administrative costs to be paid from the research and

- commercialization state special revenue fund
 - o Reduced general fund by \$27,540 over the biennium. This reduction equals the department's share of a statewide personal services reduction

The legislature reduced the department's budget by 22.50 FTE and \$48.4 million from the fiscal 2002 base budget. The majority of this decrease can be attributed to the move of the Section 8 program within the Housing Division from HB 2 to an enterprise-type proprietary fund, for a reduction of 19.50 FTE and \$82.0 million in federal special revenue authority over the biennium. As an enterprise-type fund, the legislature does not provide appropriations for the Section 8 program in HB 2.

Other changes approved by the legislature include the following new proposals:

- o Reduced general fund within the Business Resources Division by \$540,000 over the biennium by adjusting for a base-year accounting error and eliminating funding for the Kumamoto Trade Office. However, subsequent testimony from the department indicated that the Kumamoto Trade Office would be funded within existing appropriations
- o Eliminated 5.00 FTE, and reduced general fund (\$541,978 over the biennium), state special revenue (\$122,023 over the biennium), and federal special revenue (\$19,212 over the biennium) by eliminating 2.75 FTE in addition to all FTE and funding associated with the Community Technical Assistance Program
- o Reduced general fund by approximately \$175,000 over the biennium by passing legislation which authorizes the payment of administrative costs of the Board of Research and Commercialization from the research and commercialization state special revenue fund, which is statutorily appropriated. The legislature subsequently removed all funding for the Board of Research and Commercialization administrative costs from HB 2
- o

Remaining increases are associated with present law adjustments, including:

- o Statewide present law adjustments for funding of authorized FTE and inflationary adjustments
- o Reduced funding for Coal Board Local Impact Grants to adjust for anticipated revenues and appropriations to other entities also funded from the coal severance tax shared state special revenue account
- o Increased general fund (approximately \$140,000 over the biennium), state special revenue (approximately \$285,000 over the biennium), and federal special revenue (approximately \$81,030 over the biennium) for administrative costs adjustments

Funding

The following table summarizes funding for the agency, by program and source.

Total Agency Funding 2005 Biennium Budget					
Agency Program	General Fund	State Spec.	Fed Spec.	Grand Total	Total %
Business Resources Division	\$ 2,740,856	\$ 371,829	\$ 6,405,480	\$ 9,518,165	24.0%
Montana Promotion Division	-	1,518,341	-	1,518,341	3.8%
Community Development Division	410,933	3,036,611	9,464,161	12,911,705	32.5%
Housing Division	-	40,000	14,887,260	14,927,260	37.6%
Director/Management Services	-	-	834,709	834,709	2.1%
Grand Total	\$ 3,151,789	\$ 4,966,781	\$ 31,591,610	\$ 39,710,180	100.0%

Other Legislation

House Bill 564 - HB 564 establishes the Primary Sector Business Workforce Training Act. HB 564 provides for a seven-member loan review committee to make grants to qualifying primary sector businesses to pay for employee education and training by eligible service providers, and provides temporary funding for workforce training grants through Board of Investment loans.

House Bill 734 - HB 734 reestablishes the Developmental Disabilities Planning and Advisory Council as a non-profit organization and transfers it from the Department of Health and Human Services to the Department of Commerce. The legislature added 2.00 FTE and \$830,000 federal special revenue authority over the biennium to implement passage of this legislation.

Senate Bill 115 - SB 115 extends the statutory appropriations for several programs, including the Research and Commercialization Program. These programs, which were to sunset at the end of fiscal 2005, were extended for five years, through fiscal 2010. The amount of the Research and Commercialization statutory appropriation, currently \$3.65 million annually, was not changed.

Senate Bill 232 - SB 232 transfers the Montana Heritage Preservation and Development Commission from the Montana Historical Society to the Department of Commerce for administrative purposes. The commission's budget is statutorily appropriated; therefore no changes were made to HB 2 to implement this legislation.

Senate Bill 491 - SB 491 amends statute to allow payment of administrative costs from the research and commercialization state special revenue fund, which is statutorily appropriated. The legislature removed all funding from Research and Commercialization Program administrative costs from HB 2.

Agency Budget Comparison								
Budget Item	Base Budget Fiscal 2002	Executive Budget Fiscal 2004	Legislative Budget Fiscal 2004	Leg - Exec. Difference Fiscal 2004	Executive Budget Fiscal 2005	Legislative Budget Fiscal 2005	Leg - Exec. Difference Fiscal 2005	Biennium Difference Fiscal 04-05
FTE	68.50	51.00	47.00	(4.00)	51.00	47.00	(4.00)	
Personal Services	2,767,665	2,496,467	2,278,296	(218,171)	2,498,892	2,317,054	(181,838)	(400,009)
Operating Expenses	3,414,705	3,222,290	2,957,207	(265,083)	3,193,423	2,928,155	(265,268)	(530,351)
Equipment	0	40,000	40,000	0	0	0	0	0
Grants	37,857,358	16,458,284	16,242,161	(216,123)	11,774,066	12,552,889	778,823	562,700
Benefits & Claims	0	0	197,209	197,209	0	197,209	197,209	394,418
Transfers	0	0	0	0	0	0	0	0
Debt Service	0	0	0	0	0	0	0	0
Total Costs	\$44,039,728	\$22,217,041	\$21,714,873	(\$502,168)	\$17,466,381	\$17,995,307	\$528,926	\$26,758
General Fund	1,967,443	2,204,638	1,567,764	(636,874)	2,201,594	1,584,025	(617,569)	(1,254,443)
State/Other Special	2,556,211	2,763,712	2,489,324	(274,388)	1,750,416	2,477,457	727,041	452,653
Federal Special	39,516,074	17,248,691	17,657,785	409,094	13,514,371	13,933,825	419,454	828,548
Proprietary	0	0	0	0	0	0	0	0
NonExpendable Trust	0	0	0	0	0	0	0	0
Total Funds	\$44,039,728	\$22,217,041	\$21,714,873	(\$502,168)	\$17,466,381	\$17,995,307	\$528,926	\$26,758

Executive Budget Comparison

The legislative budget is \$26,758 higher than the executive proposal, although general fund is reduced by \$1.3 million over the biennium. Major changes made by the legislature include:

- o Eliminated funding for the Community Technical Assistance Program and 5.00 FTE within the Community Development Division (reduction of \$542,000 general fund, \$122,000 state special revenue, and \$19,000 federal funds over the biennium)
- o Eliminated funding for Kumamoto Trade Office within the Trade and International Relations Bureau (reduction of \$140,000 general fund over the biennium). However, subsequent testimony by the department indicated their intent to fund the Kumamoto Trade Office out of existing appropriations
- o Reduced general fund within the Business Resources Division to adjust for \$200,000 in base-year expenditures erroneously carried into the 2005 biennium (reduction of \$400,000 general fund over the biennium)
- o Eliminated HB 2 funding for Board of Research and Commercialization administrative functions, and approved legislation amending statute to allow administrative costs to be paid from the statutorily appropriated research and commercialization state special revenue fund (reduction of \$177,147 general fund over the biennium)

- Adjusted Coal Board Local Impact Grant funding below base year funding, but above the executive proposal (increase of \$562,000 over the biennium).
- Added 2.00 FTE and federal special revenue authority to the Director's Office to implement HB 734, which changed the status of the Developmentally Disabled Planning and Advisory Council to that of a non-profit organization, and transferred it from the Department of Public Health and Human Services to the Department of Commerce (increase of approximately \$430,000 federal funds over the biennium)
- Reduced general fund by \$27,540 over the biennium. This reduction equals the department's share of a statewide personal services reduction
- Passed HB 13, the state pay plan bill, which increased the following authority over the biennium: General fund - \$31,075; state special revenue - \$11,976; and federal special revenue - \$17,143

Program Legislative Budget								
Budget Item	Base Budget Fiscal 2002	PL Base Adjustment Fiscal 2004	New Proposals Fiscal 2004	Total Leg. Budget Fiscal 2004	PL Base Adjustment Fiscal 2005	New Proposals Fiscal 2005	Total Leg. Budget Fiscal 2005	Total Leg. Budget Fiscal 04-05
FTE	1.00	0.00	(1.00)	0.00	0.00	(1.00)	0.00	0.00
Personal Services	83,224	(25,374)	(57,850)	0	(25,508)	(57,716)	0	0
Operating Expenses	37,383	(6,429)	(30,954)	0	(6,756)	(30,627)	0	0
Grants	0	0	0	0	0	0	0	0
Total Costs	\$120,607	(\$31,803)	(\$88,804)	\$0	(\$32,264)	(\$88,343)	\$0	\$0
General Fund	120,607	(31,803)	(88,804)	0	(32,264)	(88,343)	0	0
NonExpendable Trust	0	0	0	0	0	0	0	0
Total Funds	\$120,607	(\$31,803)	(\$88,804)	\$0	(\$32,264)	(\$88,343)	\$0	\$0

Program Description

The Board of Research and Commercialization Technology was created by the 1999 legislature to: 1) provide a predictable and stable source of funding for research and commercialization projects; 2) expand and strengthen research efforts for the state's basic industries to increase their economic impact on the state economy; and 3) expand research efforts into areas beyond the scope of the basic industries to diversify and strengthen economic security through the creation of technology-based operations and long-term quality jobs.

The board has the statutory authority to make grants or loans to research and commercialization centers if the projects to be funded:

- o Have potential to diversify or add value to a traditional basic industry of the state economy
- o Show promise for enhancing technology-based sectors or commercial development of discoveries
- o Employ or take advantage of existing research and commercialization strengths
- o Have a realistic and achievable project design
- o Employ an innovative technology
- o Are located in the state
- o Have a qualified research team
- o Have scientific merit based on peer review
- o Include research opportunities for students

Program Narrative

Research and Commercialization Program Major Budget Highlights
<ul style="list-style-type: none"> o The legislature eliminated HB 2 funding for Board of Research and Commercialization administrative functions, and passed legislation which allows administrative costs to be paid from the statutorily-appropriated research and commercialization state special revenue fund

Funding

Through the 2003 biennium, Board of Research and Commercialization administrative functions were funded entirely with general fund in HB 2. The 2003 legislature removed all funding for the Research and Commercialization Program from HB 2, and passed SB 493, which amended statute to allow the administrative costs to be paid from the statutorily-appropriated research and commercialization state special revenue fund.

	-----Fiscal 2004-----					-----Fiscal 2005-----				
	FTE	General Fund	State Special	Federal Special	Total Funds	FTE	General Fund	State Special	Federal Special	Total Funds
Present Law Adjustments										
Personal Services					(26,139)					(26,278)
Vacancy Savings					(2,283)					(2,278)
Inflation/Deflation					36					79
Fixed Costs					(1,136)					(1,361)
Total Statewide Present Law Adjustments					(\$29,522)					(\$29,838)
DP 11 - Administrative Cost Adjustments										
	0.00	(2,281)	0	0	(2,281)	0.00	(2,426)	0	0	(2,426)
Total Other Present Law Adjustments	0.00	(\$2,281)	\$0	\$0	(\$2,281)	0.00	(\$2,426)	\$0	\$0	(\$2,426)
Grand Total All Present Law Adjustments					(\$31,803)					(\$32,264)

Present Law Adjustments

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

DP 11 - Administrative Cost Adjustments - The legislature decreased general fund by approximately \$2,000 each year for the following adjustments:

- o Remove one-time moving costs from the base
- o Carry forward base year expenditures for per diem and overtime (zero-based)
- o Increased rent due to the move from the Capital Complex into the former Federal Building
- o Decreased expenditures for agency indirect charges

Program	-----Fiscal 2004-----					-----Fiscal 2005-----					
	FTE	General Fund	State Special	Federal Special	Total Funds	FTE	General Fund	State Special	Federal Special	Total Funds	
DP 9010 - Remove Administrative Costs from HB 2	50	(1.00)	(88,804)	0	0	(88,804)	(1.00)	(88,343)	0	0	(88,343)
Total	(1.00)	(\$88,804)	\$0	\$0	(\$88,804)	(1.00)	(\$88,343)	\$0	\$0	(\$88,343)	

New Proposals

DP 9010 - Remove Administrative Costs from HB 2 - The legislature removed administrative costs for the Research and Commercialization Program from HB 2, and passed SB 491, which authorizes the payment of administrative costs from the statutorily-appropriated research and commercialization state special revenue fund.

Program Legislative Budget								
Budget Item	Base Budget Fiscal 2002	PL Base Adjustment Fiscal 2004	New Proposals Fiscal 2004	Total Leg. Budget Fiscal 2004	PL Base Adjustment Fiscal 2005	New Proposals Fiscal 2005	Total Leg. Budget Fiscal 2005	Total Leg. Budget Fiscal 04-05
FTE	26.50	0.00	0.00	26.50	0.00	0.00	26.50	26.50
Personal Services	1,023,661	281,864	(8,119)	1,297,406	283,368	10,330	1,317,359	2,614,765
Operating Expenses	1,538,165	63,440	(270,000)	1,331,605	58,728	(270,000)	1,326,893	2,658,498
Grants	2,122,451	0	0	2,122,451	0	0	2,122,451	4,244,902
Transfers	0	0	0	0	0	0	0	0
Total Costs	\$4,684,277	\$345,304	(\$278,119)	\$4,751,462	\$342,096	(\$259,670)	\$4,766,703	\$9,518,165
General Fund	1,455,744	188,837	(279,507)	1,365,074	185,629	(265,591)	1,375,782	2,740,856
State/Other Special	178,014	6,986	344	185,344	6,986	1,485	186,485	371,829
Federal Special	3,050,519	149,481	1,044	3,201,044	149,481	4,436	3,204,436	6,405,480
Total Funds	\$4,684,277	\$345,304	(\$278,119)	\$4,751,462	\$342,096	(\$259,670)	\$4,766,703	\$9,518,165

Program Description

The Business Resources Division is comprised of a variety of programs aimed at improving, enhancing, and diversifying Montana's economic and business climate. Working closely with the private sector, economic and community development partners, other department divisions, state agencies, and federal and private programs; the division strives to enhance the economic base of Montana through business creation, expansion, and retention efforts. Bureaus and programs within the division include:

- o Census and Economic Information Center (CEIC)
- o Trade and International Relations Bureau
- o Regional Development Bureau
- o Small Business Development Center Bureau

Program Narrative

Business Resources Division Major Budget Highlights
<ul style="list-style-type: none"> o Funding is removed for the Kumamoto Trade Office within the Trade and International Relations Bureau. Department testimony indicates an intent to fund the Kumamoto Trade Office out of existing appropriations o General fund within the Business Resources Division is reduced by \$200,000 to adjust for statutorily-appropriated expenditures erroneously carried into the 2005 biennium

Funding

The following table shows program funding, by source, for the base year and for the 2005 biennium.

Program Funding	Base Fiscal 2002	% of Base Fiscal 2002	Budget Fiscal 2004	% of Budget Fiscal 2004	Budget Fiscal 2005	% of Budget Fiscal 2005
01100 General Fund	\$ 1,455,744	31.1%	\$ 1,365,074	28.7%	\$ 1,375,782	28.9%
02090 Business Asst-Private	45,361	1.0%	45,000	0.9%	45,000	0.9%
02191 Montana Capitol Co. Act	14,709	0.3%	15,000	0.3%	15,000	0.3%
02210 Microbusiness Admin Acct	117,944	2.5%	125,344	2.6%	126,485	2.7%
03059 Community Development Block	2,248,408	48.0%	2,250,344	47.4%	2,251,485	47.2%
03061 Eda Revolving Loan Fund	21,867	0.5%	100,000	2.1%	100,000	2.1%
03075 Sba Microloan	135,962	2.9%	145,000	3.1%	145,000	3.0%
03207 Small Business Dev. Centers	520,367	11.1%	550,700	11.6%	552,951	11.6%
03671 Sba Fast Program	43,913	0.9%	70,000	1.5%	70,000	1.5%
03956 Sba Innovative Research Prgm	80,002	1.7%	85,000	1.8%	85,000	1.8%
Grand Total	\$ 4,684,277	100.0%	\$ 4,751,462	100.0%	\$ 4,766,703	100.0%

The Business Resources Division is funded by a combination of 29.0 percent general fund, 4.0 percent state special revenue, and 67.0 percent federal funds. General fund in the program supports the following:

- o Census and Economic Information Center (CEIC)
- o Regional Development
- o Trade and International Relations
- o State match for administrative costs associated with Small Business Development Centers

Community development block grants and Small Business Development Centers are primarily funded with federal funds, with state special revenue from private industry partnering providing a portion of the funding.

The Trade and International Relations Bureau receives additional funding from Travel Montana's allocation of the lodging facility use tax, which amounts to approximately \$200,000 annually. Since lodging facility use tax revenues are statutorily appropriated, this amount does not require legislative appropriation in HB 2 and as a result, does not appear in the funding tables. The Trade and International Relations Bureau also receives funding from the Growth Through Agriculture Program in the Department of Agriculture. The Agricultural Development Council determines the amount of grant funds to be transferred to the division, which has typically been \$90,000 per year for this purpose.

	-----Fiscal 2004-----					-----Fiscal 2005-----				
	FTE	General Fund	State Special	Federal Special	Total Funds	FTE	General Fund	State Special	Federal Special	Total Funds
Personal Services					331,078					332,746
Vacancy Savings					(54,093)					(54,257)
Inflation/Deflation					2,075					2,406
Fixed Costs					(10,848)					(18,213)
Total Statewide Present Law Adjustments					\$268,212					\$262,682
DP 12 - Administrative Costs Adjustments										
	0.00	77,092	0	0	77,092	0.00	79,414	0	0	79,414
Total Other Present Law Adjustments	0.00	\$77,092	\$0	\$0	\$77,092	0.00	\$79,414	\$0	\$0	\$79,414
Grand Total All Present Law Adjustments					\$345,304					\$342,096

Present Law Adjustments

The "Present Law Adjustments" table shows the primary changes to the adjusted base budget made by the legislature. "Statewide Present Law" adjustments are standard categories of adjustments made to all agencies. Legislative decisions

on these items were applied globally to all agencies. The other numbered adjustments in the table correspond to the narrative descriptions.

DP 12 - Administrative Costs Adjustments - The legislature increased general fund within the division by approximately \$80,000 each year for the following:

- o Increased rent due to moving into the Old Federal Building (\$100,000 each year)
- o Carry forward base year expenditures for overtime (zero-based) (\$5,000 each year)
- o Increased expenditures for agency indirect charges (\$34,000 each year)
- o Removal of one-time moving costs from the base (\$57,000 reduction each year)
- o General reductions to meet agency general fund target (\$3,700 reduction each year)

New Proposals											
Program	FTE	-----Fiscal 2004-----				-----Fiscal 2005-----					
		General Fund	State Special	Federal Special	Total Funds	FTE	General Fund	State Special	Federal Special	Total Funds	
DP 655 - Personal Services Reduction	51	0.00	(13,770)	0	0	(13,770)	0.00	(13,770)	0	0	(13,770)
DP 6800 - HB 13 - Pay Plan	51	0.00	4,263	344	1,044	5,651	0.00	18,179	1,485	4,436	24,100
DP 9003 - Correct Budgeting System Accounting Error	51	0.00	(200,000)	0	0	(200,000)	0.00	(200,000)	0	0	(200,000)
DP 9004 - Eliminate Kumamoto Trade Office Funding	51	0.00	(70,000)	0	0	(70,000)	0.00	(70,000)	0	0	(70,000)
Total	0.00	(\$279,507)	\$344	\$1,044	(\$278,119)	0.00	(\$265,591)	\$1,485	\$4,436	(\$259,670)	

New Proposals

DP 655 - Personal Services Reduction - The legislature applied a further vacancy savings on general fund positions. This reduction equals 0.9 percent of general fund and 0.1 percent of total funds for this agency. This reduction was applied to one program, and language was added allowing the department to reallocate among programs as necessary.

DP 6800 - HB 13 - Pay Plan - The legislature passed a pay plan in HB 13 that provides an additional \$44 per month in insurance contributions in calendar 2004 and an additional \$50 per month in calendar 2005, as well as a \$0.25 per hour salary increase in the final six months of fiscal 2005. These amounts represent this program's allocation of costs to fund this pay plan. An additional \$44 per month in insurance contribution for the first six months of fiscal 2004 was not funded.

DP 9003 - Correct Budgeting System Accounting Error - The legislature reduced general fund within the division by \$200,000 each year to adjust for expenditures from a statutory appropriation that were mistakenly carried over into the HB 2 authority.

DP 9004 - Eliminate Kumamoto Trade Office Funding - The legislature reduced general fund within the Trade and International Relations Bureau by \$70,000 each year to eliminate all funding for the trade office in Kumamoto, Japan. However, in subsequent testimony, the department stated intent to fund the program out of existing appropriations.

Language

"Item [Business Resources Division] includes a reduction in general fund money of \$13,770 in fiscal year 2004 and \$13,770 in fiscal year 2005 for the statewide FTE reduction. The agency may allocate this reduction in funding among programs when developing 2005 biennium operating plans."

Program Legislative Budget								
Budget Item	Base Budget Fiscal 2002	PL Base Adjustment Fiscal 2004	New Proposals Fiscal 2004	Total Leg. Budget Fiscal 2004	PL Base Adjustment Fiscal 2005	New Proposals Fiscal 2005	Total Leg. Budget Fiscal 2005	Total Leg. Budget Fiscal 04-05
FTE	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
Operating Expenses	654,172	114,169	0	768,341	95,828	0	750,000	1,518,341
Total Costs	\$654,172	\$114,169	\$0	\$768,341	\$95,828	\$0	\$750,000	\$1,518,341
State/Other Special	654,172	114,169	0	768,341	95,828	0	750,000	1,518,341
Total Funds	\$654,172	\$114,169	\$0	\$768,341	\$95,828	\$0	\$750,000	\$1,518,341

Program Description

The Montana Promotion Division works toward increased visitor travel and expenditures, and the filming of motion pictures and commercials in the state. It does this through consumer advertising, publicity, international and domestic group travel marketing, printing and distribution of literature, and marketing to motion picture and television production companies. The division is funded primarily by the statutorily-appropriated lodging facility use tax (bed tax) and uses these monies to provide training and assistance to the Montana tourism industry, administer and distribute infrastructure grants, and oversee expenditures of six regional non-profit corporations and the nine specific cities where bed tax collections exceed \$140,000.

Program Narrative

<p>Montana Promotion Division Major Budget Highlights</p>
<ul style="list-style-type: none"> o No major changes to historical or current operations

Funding

The following table shows program funding, by source, for the base year and for the 2005 biennium.

Program Funding Table						
Montana Promotion Division						
Program Funding	Base Fiscal 2002	% of Base Fiscal 2002	Budget Fiscal 2004	% of Budget Fiscal 2004	Budget Fiscal 2005	% of Budget Fiscal 2005
02116 Accommodation Tax Account	\$ 15,149	2.3%	\$ 18,341	2.4%	\$ -	-
02154 Mt Promotion-Private	639,023	97.7%	750,000	97.6%	750,000	100.0%
Grand Total	<u>\$ 654,172</u>	<u>100.0%</u>	<u>\$ 768,341</u>	<u>100.0%</u>	<u>\$ 750,000</u>	<u>100.0%</u>

The Montana Promotion Division is primarily funded by state special revenues derived from 67.5 percent of bed tax revenues remaining after statutory deductions. Statutory deductions include refunding state accounts for bed tax collections paid by state employees on official business, and Department of Revenue costs.

The remainder of the tax not allocated to the Department of Commerce goes to the Montana State Historical Society, the University of Montana for allocation to the Institute of Tourism and Recreation Research, and to the Department of Fish, Wildlife, and Parks. The funds distributed to the Department of Commerce are statutorily appropriated by 15-65-121, MCA, rather than in HB2.

The division is partially funded by state special revenues received from the sale of advertising material, as well as income

from conferences and other state agencies. The Montana Promotion Division distributes 22.5 percent of the bed tax revenues to regional nonprofit tourism corporations and to certain cities. The remainder is spent by the division for tourism promotion and for promotion of the state as a location for motion pictures and television commercials.

Present Law Adjustments	-----Fiscal 2004-----					-----Fiscal 2005-----				
	FTE	General Fund	State Special	Federal Special	Total Funds	FTE	General Fund	State Special	Federal Special	Total Funds
Fixed Costs					3,192					(15,149)
Total Statewide Present Law Adjustments					\$3,192					(\$15,149)
DP 15 - Private Funds Adjustment HB 2	0.00	0	110,977	0	110,977	0.00	0	110,977	0	110,977
Total Other Present Law Adjustments	0.00	\$0	\$110,977	\$0	\$110,977	0.00	\$0	\$110,977	\$0	\$110,977
Grand Total All Present Law Adjustments					\$114,169					\$95,828

Present Law Adjustments

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

DP 15 - Private Funds Adjustment HB 2 - The legislature approved an increase in state special revenue authority to bring funding to a level of \$750,000 each year, based on past and projected needs.

Program Legislative Budget								
Budget Item	Base Budget Fiscal 2002	PL Base Adjustment Fiscal 2004	New Proposals Fiscal 2004	Total Leg. Budget Fiscal 2004	PL Base Adjustment Fiscal 2005	New Proposals Fiscal 2005	Total Leg. Budget Fiscal 2005	Total Leg. Budget Fiscal 04-05
FTE	17.00	1.00	(5.00)	13.00	1.00	(5.00)	13.00	13.00
Personal Services	732,269	158,840	(259,846)	631,263	159,180	(247,654)	643,795	1,275,058
Operating Expenses	488,197	160,244	(77,335)	571,106	156,587	(77,425)	567,359	1,138,465
Equipment	0	0	0	0	0	0	0	0
Grants	5,626,816	(622,450)	245,000	5,249,366	(623,000)	245,000	5,248,816	10,498,182
Total Costs	\$6,847,282	(\$303,366)	(\$92,181)	\$6,451,735	(\$307,233)	(\$80,079)	\$6,459,970	\$12,911,705
General Fund	391,092	80,965	(269,367)	202,690	81,129	(263,978)	208,243	410,933
State/Other Special	1,724,025	(394,777)	186,391	1,515,639	(394,786)	191,733	1,520,972	3,036,611
Federal Special	4,732,165	10,446	(9,205)	4,733,406	6,424	(7,834)	4,730,755	9,464,161
NonExpendable Trust	0	0	0	0	0	0	0	0
Total Funds	\$6,847,282	(\$303,366)	(\$92,181)	\$6,451,735	(\$307,233)	(\$80,079)	\$6,459,970	\$12,911,705

Program Description

The Community Development Division works with federal, state, and local governments and the private sector in all areas of community development including public facilities planning and financing, community planning and growth management, subdivision regulation and zoning, housing development for low- and moderate-income families, neighborhood revitalization, needs assessment, coal and hard rock mining mitigation, and project management.

There are two major programs within the bureau: the Community Development Block Grant Program (CDBG) and the Treasure State Endowment Program (TSEP). The Montana Coal Board and the Montana Hard Rock Mining Impact Board and their respective programs are attached to the bureau for administrative purposes. These four programs, individually and collectively, provide both financial and technical assistance to Montana communities, local elected officials and staff, nonprofit organizations, private sector developers and consultants, and private citizens. The Community Technical Assistance Program (CTAP) was eliminated by the 2003 legislature to implement a general fund reduction within the department.

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 Narrative

Community Development Division Major Budget Highlights
<ul style="list-style-type: none"> ○ The legislative budget funds Coal Board grants from the coal severance tax shared state special revenue account at approximately 70 percent of the fiscal 2002 levels ○ The Community Technical Assistance Program (CTAP) is eliminated, and 5.00 FTE (including 2.25 FTE from CTAP) are reduced

Funding

The following table shows program funding, by source, for the base year and for the 2005 biennium.

Program Funding	Base	% of Base	Budget	% of Budget	Budget	% of Budget
	Fiscal 2002	Fiscal 2002	Fiscal 2004	Fiscal 2004	Fiscal 2005	Fiscal 2005
01100 General Fund	\$ 391,092	5.7%	\$ 202,690	3.1%	\$ 208,243	3.2%
02049 Hard Rock Mining	136,582	2.0%	198,694	3.1%	200,454	3.1%
02270 Treasure State Endowment	379,074	5.5%	477,447	7.4%	481,597	7.5%
02340 Coal Sev. Tax Shared Ssr	1,208,369	17.6%	839,498	13.0%	838,921	13.0%
03059 Community Development Block	4,732,165	69.1%	4,733,406	73.4%	4,730,755	73.2%
Grand Total	\$ 6,847,282	100.0%	\$ 6,451,735	100.0%	\$ 6,459,970	100.0%

- o The Hard Rock Mining Board is funded by a 2.5 percent allocation of the Metalliferous Mines License Tax
- o The Community Development Block Grant (CDBG) program is primarily funded with federal block grant funds. The general fund provides a HUD-mandated match for a portion of the administrative costs of the program
- o The Treasure State Endowment Program (TSEP) is funded by interest earnings from the permanent Coal Tax Trust
- o The Coal Board competes with three other programs (Growth Through Agriculture, State Library Commission, and Conservation Districts) for a share of 7.75 percent of Coal Severance Tax collections

	-----Fiscal 2004-----					-----Fiscal 2005-----				
	FTE	General Fund	State Special	Federal Special	Total Funds	FTE	General Fund	State Special	Federal Special	Total Funds
Personal Services					142,226					142,704
Vacancy Savings					(34,978)					(35,001)
Inflation/Deflation					1,673					1,938
Fixed Costs					(11,927)					(17,340)
Total Statewide Present Law Adjustments					\$96,994					\$92,301
DP 5 - Treasure State Endowment 1.00 FTE	1.00	0	54,867	0	54,867	1.00	0	54,734	0	54,734
DP 6 - Reduce Coal Board Local Impact Grant Funding	0.00	0	(622,450)	0	(622,450)	0.00	0	(623,000)	0	(623,000)
DP 13 - Administrative Cost Adjustments HB 2	0.00	(6,028)	142,161	31,090	167,223	0.00	(5,739)	142,935	31,536	168,732
Total Other Present Law Adjustments	1.00	(\$6,028)	(\$425,422)	\$31,090	(\$400,360)	1.00	(\$5,739)	(\$425,331)	\$31,536	(\$399,534)
Grand Total All Present Law Adjustments					(\$303,366)					(\$307,233)

Present Law Adjustments

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

DP 5 - Treasure State Endowment 1.00 FTE - The legislature approved additional authority from the Treasure State Endowment state special revenue fund for a 1.00 FTE civil engineer specialist, grade 16. This new position will accommodate increased work load due to an increasing number of TSEP projects and new duties related to funds appropriated for preliminary engineering studies and emergency projects, which will require higher technical qualifications.

DP 6 - Reduce Coal Board Local Impact Grant Funding - The legislature reduced Coal Board grant funding by 50 percent for the 2005 biennium. This adjustment was intended to implement HB 177, which was proposed to change the percentage of coal severance taxes allocated to the coal severance tax shared state special revenue account from 7.75 percent to 4.18 percent for the 2005 biennium only. HB 177 was not passed by the 2003 legislature. The legislature also included contingency language adding \$490,000 over the biennium if HB 177 was not passed and approved (See DP 9900). The legislature designated the appropriation for local impact grants as biennial.

DP 13 - Administrative Cost Adjustments HB 2 - The legislature approved additional state and federal special revenue authority, in addition to decreased general fund authority, for the following adjustments:

- o Increased rent due to moving into the Old Federal Building (\$73,000 each year)
- o Carry forward of base year expenditures for per diem and overtime (zero-based) (\$4,000 each year)
- o Increased expenditures for agency indirect charges (\$13,000 each year)
- o Removal of one-time moving costs from the base (\$18,000 reduction each year)
- o General reductions to meet the agency general fund target (\$3,500 reduction each year)

Additionally, the legislature approved a restricted \$100,000 appropriation from the Hard Rock Mining Impact Reserve state special revenue account. The reserve had no expenditures during the base year; therefore the entire amount was requested and approved in this adjustment.

New Proposals Program	-----Fiscal 2004-----					-----Fiscal 2005-----				
	FTE	General Fund	State Special	Federal Special	Total Funds	FTE	General Fund	State Special	Federal Special	Total Funds
DP 6800 - HB 13 - Pay Plan										
60	0.00	1,655	1,972	414	4,041	0.00	6,978	8,175	1,759	16,912
DP 9001 - Eliminate CTAP and Reallocate Costs										
60	(2.25)	(271,022)	76,422	0	(194,600)	(2.25)	(270,956)	75,937	0	(195,019)
DP 9002 - FTE Reduction										
60	(2.75)	0	(137,003)	(9,619)	(146,622)	(2.75)	0	(137,379)	(9,593)	(146,972)
DP 9900 - Adjust Coal Board Approp. for Contingency Language										
60	0.00	0	245,000	0	245,000	0.00	0	245,000	0	245,000
Total	(5.00)	(\$269,367)	\$186,391	(\$9,205)	(\$92,181)	(5.00)	(\$263,978)	\$191,733	(\$7,834)	(\$80,079)

New Proposals

DP 6800 - HB 13 - Pay Plan - The legislature passed a pay plan in HB 13 that provides an additional \$44 per month in insurance contributions in calendar 2004 and an additional \$50 per month in calendar 2005, as well as a \$0.25 per hour salary increase in the final six months of fiscal 2005. These amounts represent this program's allocation of costs to fund this pay plan. An additional \$44 per month in insurance contribution for the first six months of fiscal 2004 was not funded.

DP 9001 - Eliminate CTAP and Reallocate Costs - The legislature eliminated all FTE and funding associated with the Community Technical Assistance Program (CTAP). Additionally, the legislature reallocated personal services and fixed costs originally allocated to the CTAP program.

The CTAP program is established in Title 90, Chapter 1, MCA. Functions provided by CTAP, as provided by the department, include:

- o Co-sponsors and instructs, in conjunction with MACO, the MT Association of Planners, or others, 25 local, regional, and statewide planning workshops for local officials, land developers, and realtors
- o Develops and maintains a library of media resources for local checkout
- o Provides telephone and/or written consultations (approximately 3,800 per year) to individuals needing to know, understand, or change a planning or development issue they are involved with locally

DP 9002 - FTE Reduction - The legislature reduced FTE within the division by 2.75, including 1.25 FTE from the Coal Board program, 1.25 FTE from the Hard Rock Mining program, 0.10 FTE from the TSEP program, and 0.15 FTE from the CDBG program.

DP 9900 - Adjust Coal Board Appropriation for Contingency Language - The legislature added \$490,000 in state special revenue authority from the coal severance tax shared account in language in HB 2, if HB 177 was not passed and approved. HB 177 was not passed, and this adjustment adds that amount to the Coal Board biennial appropriation.

Language

"If House Bill No. 177 is not passed and approved, the biennial appropriation in item [Coal Board Local Impact Grants] is increased by \$490,000 of state special revenue funding."

Program Legislative Budget								
Budget Item	Base Budget Fiscal 2002	PL Base Adjustment Fiscal 2004	New Proposals Fiscal 2004	Total Leg. Budget Fiscal 2004	PL Base Adjustment Fiscal 2005	New Proposals Fiscal 2005	Total Leg. Budget Fiscal 2005	Total Leg. Budget Fiscal 04-05
FTE	24.00	0.00	(18.50)	5.50	0.00	(18.50)	5.50	5.50
Personal Services	928,511	70,360	(752,020)	246,851	71,464	(746,559)	253,416	500,267
Operating Expenses	694,747	197,930	(724,018)	168,659	174,564	(702,943)	166,368	335,027
Equipment	0	15,000	25,000	40,000	0	0	0	40,000
Grants	30,108,091	16,996,755	(38,234,502)	8,870,344	15,322,044	(40,248,513)	5,181,622	14,051,966
Debt Service	0	0	0	0	0	0	0	0
Total Costs	\$31,731,349	\$17,280,045	(\$39,685,540)	\$9,325,854	\$15,568,072	(\$41,698,015)	\$5,601,406	\$14,927,260
State/Other Special	0	20,000	0	20,000	20,000	0	20,000	40,000
Federal Special	31,731,349	17,260,045	(39,685,540)	9,305,854	15,548,072	(41,698,015)	5,581,406	14,887,260
Proprietary	0	0	0	0	0	0	0	0
Total Funds	\$31,731,349	\$17,280,045	(\$39,685,540)	\$9,325,854	\$15,568,072	(\$41,698,015)	\$5,601,406	\$14,927,260

Program Description

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

- o The HOME program provides grant funds to eligible local governments and Community Housing Development organizations, allowing them to provide assistance in financing new construction or rehabilitation of individual homes or rental units, tenant-based rental assistance, and other eligible activities
- o The Section 8 Housing program provides rental assistance through HUD Section 8 authority, on behalf of low-income families and the elderly
- o The Board of Housing is a seven-member, quasi-judicial board appointed by the Governor and is administratively attached to the Department of Commerce. The board administers the Low-Income Housing Tax Credit, Multi-Family Loan, Reverse Annuity Mortgage, and Single Family programs

Program Narrative

Housing Division
Major Budget Highlights
o Section 8 housing programs are moved off-budget into an enterprise-type proprietary fund

Funding

The following table shows program funding, by source, for the base year and for the 2005 biennium.

Program Funding Table						
Housing Division						
Program Funding	Base	% of Base	Budget	% of Budget	Budget	% of Budget
	Fiscal 2002	Fiscal 2002	Fiscal 2004	Fiscal 2004	Fiscal 2005	Fiscal 2005
02541 Affordable House Revolv Loan	\$ -	-	\$ 20,000	0.2%	\$ 20,000	0.4%
03053 Section 8 Hud Assistance	12,620,604	39.8%	-	-	-	-
03054 Hud Section 8 Housing Program	15,784,603	49.7%	-	-	-	-
03300 Home Grants	3,326,142	10.5%	9,305,854	99.8%	5,581,406	99.6%
Grand Total	\$31,731,349	100.0%	\$ 9,325,854	100.0%	\$ 5,601,406	100.0%

The HOME Program is funded by an annual categorical federal grant from HUD. Grant funds are distributed using a competitive process to successful local governments and Community Housing Development Organizations with an allowed amount being held back at the state level to administer the program. Section 8 Housing programs are funded with proprietary (enterprise type) funds derived from administrative fees charged for each housing unit managed. The Board of Housing is funded by proprietary (enterprise type) funds derived from an administrative charge applied to mortgages financed and applications received. The Section 8 and Board of Housing programs receive no direct appropriations in HB 2.

Present Law Adjustments	-----Fiscal 2004-----					-----Fiscal 2005-----				
	FTE	General Fund	State Special	Federal Special	Total Funds	FTE	General Fund	State Special	Federal Special	Total Funds
Personal Services					106,226					107,308
Vacancy Savings					(41,373)					(41,351)
Inflation/Deflation					3,263					3,777
Fixed Costs					32,638					6,754
Total Statewide Present Law Adjustments					\$100,754					\$76,488
DP 7 - Adjust Federal Grants	0.00	0	0	17,006,091	17,006,091	0.00	0	0	15,331,380	15,331,380
DP 9 - Lead-based Paint Inspections	0.00	0	0	130,000	130,000	0.00	0	0	130,000	130,000
DP 10 - Replace Database Server - OTO	0.00	0	0	15,000	15,000	0.00	0	0	0	0
DP 14 - Administrative Cost Adjustments	0.00	0	0	8,200	8,200	0.00	0	0	10,204	10,204
DP 742 - Board of Housing Revolving Loan Fund	0.00	0	20,000	0	20,000	0.00	0	20,000	0	20,000
Total Other Present Law Adjustments	0.00	\$0	\$20,000	\$17,159,291	\$17,179,291	0.00	\$0	\$20,000	\$15,471,584	\$15,491,584
Grand Total All Present Law Adjustments					\$17,280,045					\$15,568,072

Present Law Adjustments

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

DP 7 - Adjust Federal Grants - The legislature increased federal special revenue authority to bring grants up to the level of the federal budget allocation. After removal of Section 8 authority to accommodate the move to a proprietary fund (see DP 2 description), this amounts to approximately \$9.0 million in fiscal 2004 and \$5.0 million in fiscal 2005.

DP 9 - Lead-based Paint Inspections - The legislature approved additional federal special revenue authority to adjust the base to include costs of HUD required lead-based paint clearance testing in Section 8 Housing programs. This increased authority was transferred to proprietary authority as part of DP 2.

DP 10 - Replace Database Server - OTO - The legislature approved additional federal special revenue authority to replace the division's database server in fiscal 2004, due to age and additional system requirements coming in fiscal 2004. This increased authority was subsequently transferred to proprietary authority as part of DP 2.

DP 14 - Administrative Cost Adjustments - The legislature approved additional federal special revenue authority for the following adjustments:

- o Increased rent due to moving into the Old Federal Building (\$62,000 over the biennium)
- o Carry forward of base year expenditures for overtime (zero-based) (\$12,000 over the biennium)
- o Increased expenditures for agency indirect charges (\$26,000 over the biennium)
- o Increased data network charges due to increase network connections (\$4,000 over the biennium)
- o Removal of one-time moving costs from the base (\$84,000 reduction over the biennium)

DP 742 - Board of Housing Revolving Loan Fund - The legislature approved \$20,000 in authority from the Affordable Housing Revolving Loan state special revenue fund. HB 273 passed by the 2001 legislature transferred \$3,415,928 from the Temporary Assistance to Needy Families (TANF) block grant to the affordable housing revolving loan account. SB 6 passed during the 2002 special session reduced the amount to \$700,000. The Housing Division is allowed a 7.0 percent administrative cost reimbursement for each loan made from the TANF funds. This adjustment will allow the board to recover those costs. No loans were made during the base year, and therefore, this increase equals the total request for costs.

Program	Fiscal 2004					Fiscal 2005				
	FTE	General Fund	State Special	Federal Special	Total Funds	FTE	General Fund	State Special	Federal Special	Total Funds
DP 2 - Section 8 Housing Funding Shift										
74	(19.50)	0	0	(39,767,604)	(39,767,604)	(19.50)	0	0	(41,745,884)	(41,745,884)
DP 4 - Restore 1.00 FTE Cobb Amendment										
74	1.00	0	0	35,244	35,244	1.00	0	0	35,199	35,199
DP 8 - HOME Project Administration Software										
74	0.00	0	0	45,000	45,000	0.00	0	0	5,000	5,000
DP 6800 - HB 13 - Pay Plan										
74	0.00	0	0	1,820	1,820	0.00	0	0	7,670	7,670
Total	(18.50)	\$0	\$0	(\$39,685,540)	(\$39,685,540)	(18.50)	\$0	\$0	(\$41,698,015)	(\$41,698,015)

New Proposals

DP 2 - Section 8 Housing Funding Shift - The legislature approved removing the Section 8 Housing program from HB 2 appropriations and accounting for it as an enterprise fund.

DP 4 - Restore 1.00 FTE Cobb Amendment - The legislature approved approximately \$35,000 in federal special revenue authority in each year of the biennium to restore 1.00 FTE eliminated by boilerplate language in HB 2 for the 2003 biennium.

DP 8 - HOME Project Administration Software - The legislature approved additional federal authority to replace the current manual program and administration system in the HOME program with an automated software system, in response to a recent Legislative Audit Division review of the HOME program (audit 01-13), which recommended improvements to tracking and monitoring processes. The legislature designated \$40,000 in fiscal 2004 as one-time-only.

DP 6800 - HB 13 - Pay Plan - The legislature passed a pay plan in HB 13 that provides an additional \$44 per month in insurance contributions in calendar 2004 and an additional \$50 per month in calendar 2005, as well as a \$0.25 per hour salary increase in the final six months of fiscal 2005. These amounts represent this program's allocation of costs to fund this pay plan. An additional \$44 per month in insurance contribution for the first six months of fiscal 2004 was not funded.

Proprietary Rates

Program Description

The Board of Investments staff manages the Unified Investment Program for public funds, established under Article VIII, Section 13 of the Montana Constitution. Six investment pools and several individual portfolios are managed. The six investment pools include the Retirement Funds Bond, Trust Funds Bond, Short Term Investment, Montana Domestic Stock, Montana International Equity, and the Montana Private Equity pools.

Revenues and Expenses

The revenue objective of the Investment Program is to fairly assess the costs of operations to each account the board invests while maintaining a reasonable and prudent 60-day working capital reserve.

Nearly all Bond Program revenues are generated by the difference between interest rates on bonds sold and the interest rate charged on loans to borrowers. Since these revenues are only received from the trustee on an annual basis, a 270-day fund balance is required to provide adequate funding for the Bond Program between draws. Remaining revenues are received monthly from the board's contract with the Montana Facility Finance Authority.

The Board of Investments does not receive any direct appropriations. Revenues for fund 06527 are generated entirely from charges to each account that the Board invests and is used to finance the investment program. Revenues for fund 06014 are generated from the difference between the interest earned from loans to borrowers and interest paid to bond holders, and monthly contract revenues received from the Montana Facility Finance Authority. Non-budgeted revenues are used to finance statutorily appropriated debt service expenditures.

Rate Explanation

The Board of Investments charges its costs to the entities that use its services. Typically, this has been done by projecting a maximum level of expenditures and setting the fee at that level. This methodology is continued in the 2005 biennium to provide a comparison with historical financial activity.

There has been no significant change in the services provided by the Board of Investments from those provided in the last biennium, although the investment portfolio continues to grow. There are currently 33.00 FTE in the program.

For the Board of Investments, the legislature defined "rates" as the total collections necessary to operate the board. The legislature approved "rates" of \$2,915,000 in fiscal 2004 and \$2,920,000 in fiscal 2005.

Significant Present Law

DP 18 - Administrative Costs Adjustments - The legislature approved adjustments for administrative costs, including per diem, overtime, rent, and agency indirect charges.

Program Legislative Budget									
Budget Item	Base Budget Fiscal 2002	PL Base Adjustment Fiscal 2004	New Proposals Fiscal 2004	Total Leg. Budget Fiscal 2004	PL Base Adjustment Fiscal 2005	New Proposals Fiscal 2005	Total Leg. Budget Fiscal 2005	Total Leg. Budget Fiscal 04-05	
FTE	0.00	0.00	2.00	2.00	0.00	2.00	2.00	2.00	2.00
Personal Services	0	0	102,776	102,776	0	102,484	102,484	205,260	
Operating Expenses	2,041	5	115,450	117,496	5	115,489	117,535	235,031	
Equipment	0	0	0	0	0	0	0	0	
Benefits & Claims	0	0	197,209	197,209	0	197,209	197,209	394,418	
Total Costs	\$2,041	\$5	\$415,435	\$417,481	\$5	\$415,182	\$417,228	\$834,709	
General Fund	0	0	0	0	0	0	0	0	
State/Other Special	0	0	0	0	0	0	0	0	
Federal Special	2,041	5	415,435	417,481	5	415,182	417,228	834,709	
Proprietary	0	0	0	0	0	0	0	0	
Total Funds	\$2,041	\$5	\$415,435	\$417,481	\$5	\$415,182	\$417,228	\$834,709	

Program Description

The Director's Office/Management Services Division consists of two programs.

- o The Director's Office assists the department with executive, administrative, legal, and policy guidance. This office acts as the liaison among private business, local governments, administratively-attached boards, public and private interest groups, the legislature, Indian tribes, individuals, and the Governor's office in the effort to improve and stabilize the economic climate in Montana
- o The Management Services Division provides internal support to all agency divisions, bureaus, and programs. Services provided by the Management Services Division include accounting and fiscal, budgeting and information systems, contracting and purchasing, human resources, payroll, and training

Program Narrative

Management Services Division
Major Budget Highlights
o 2.00 FTE and additional federal special revenue authority added with the transfer of the Developmental Disabilities Planning and Advisory Council from Department of Health and Human Services

Funding

Division operations are funded by an internal service proprietary fund from indirect costs charged to all agency programs. Federal special revenue within the division supports the Developmental Disabilities Advisory and Planning Council and related activities.

Present Law Adjustments	-----Fiscal 2004-----					-----Fiscal 2005-----				
	FTE	General Fund	State Special	Federal Special	Total Funds	FTE	General Fund	State Special	Federal Special	Total Funds
Inflation/Deflation					5					5
Total Statewide Present Law Adjustments					\$5					\$5
Grand Total All Present Law Adjustments					\$5					\$5

Present Law Adjustments

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

New Proposals										
Program	FTE	Fiscal 2004				Fiscal 2005				
		General Fund	State Special	Federal Special	Total Funds	FTE	General Fund	State Special	Federal Special	Total Funds
DP 9050 - HB 734 - Transfer DDPAC to Dept. of Commerce - 219										
81	2.00	0	0	415,435	415,435	2.00	0	0	415,182	415,182
Total	2.00	\$0	\$0	\$415,435	\$415,435	2.00	\$0	\$0	\$415,182	\$415,182

New Proposals

DP 9050 - HB 734 - Transfer DDPAC to Dept. of Commerce - The legislature added 2.00 FTE and \$830,000 federal special revenue authority over the biennium to implement HB 734, which reestablishes the Developmental Disabilities Planning and Advisory Council as a non-profit organization and transfers it from the Department of Public Health and Human Services to the Department of Commerce.

Proprietary Rates

Revenues and Expenses

The Director's Office/Management Services Division is funded by an internal service fund with revenues from charges allocated to programs supported by the indirect cost plan. Indirect costs are allocated to supported programs based upon federally- and legislatively-approved indirect cost rates applied against the actual personal services expenditures of the supported programs.

The revenue objective of division management is to maintain the lowest possible indirect cost charge to supported divisions, bureaus, and programs while maintaining a nominal working capital reserve. The department has historically used the same methodology in calculating indirect rates due to federal requirements to use those calculations when charging indirect costs to federally-funded programs.

While there have been no significant changes in the services provided to supported programs, the division lost a significant portion of its workload under SB 445, which was passed by the 2001 legislature. SB 445 reorganized the Department of Commerce and transferred several of its programs to other agencies. FTE within the division decreased from 24.5 FTE to 17.0 FTE. The decreased personal services charges with which to calculate the indirect cost percentage led to a higher proposed rate for the 2003 biennium as compared to the rate pre-SB 445.

Rate Explanation

The legislature approved an indirect cost rate of 15.0 percent in each year of the biennium. The indirect cost rate is calculated by dividing the projected annual expenditures of the Director's Office/Management Services Division, plus a nominal working capital reserve, by the projected actual personal services amounts estimated to be incurred by supported programs. Indirect costs are charged to all supported programs on a monthly basis. Since indirect cost collections lag by at least one month, the division maintains working capital reserve adequate to meet operating costs. At the approved 15.0 percent rate, the department projects a fiscal 2005 ending unreserved fund balance of \$175,525, or approximately a 57-day working capital reserve.

Significant Present Law

DP 19 - Administrative Costs Adjustments - The legislature approved adjustments for administrative costs, including overtime, rent, and the removal of one-time moving expenses from the base.