

Department of Commerce				
Comparison of the FY 2023 Legislative Budget to the FY 2023 Base Budget				
	Legislative Budget	Executive Modification per Statutory Authority	Executive Base Budget	% Change from Legislative Action
Business MT				
Personal Services	2,038,960	(461,330)	1,577,630	-22.6%
Operating Expenses	2,996,312	(653,486)	2,342,826	-21.8%
Local Assistance	46,000	-	46,000	0.0%
Grants	995,640	(5,815)	989,825	-0.6%
Transfers	1,124	-	1,124	0.0%
Debt Service	-	113,489	113,489	100.0%
Business MT Total	6,078,036	(1,007,142)	5,070,894	-16.6%
Brand MT				
Operating Expenses	-	285,000	285,000	100.0%
Brand MT Total	-	285,000	285,000	100.0%
Community MT				
Personal Services	2,108,452	(438,979)	1,669,473	-20.8%
Operating Expenses	2,061,606	(381,421)	1,680,185	-18.5%
Grants	20,907,752	(10,605,573)	10,302,179	-50.7%
Debt Service	-	92,363	92,363	100.0%
Community MT Total	25,077,810	(11,333,610)	13,744,200	-45.2%
Housing MT				
Personal Services	-	438,979	438,979	100.0%
Operating Expenses	-	266,395	266,395	100.0%
Grants	-	10,605,573	10,605,573	100.0%
Debt Service	-	22,663	22,663	100.0%
Housing MT Total	-	11,333,610	11,333,610	100.0%
Board of Horse Racing				
Personal Services	20,134	-	20,134	0.0%
Operating Expenses	181,594	-	181,594	0.0%
Board of Horse Racing Total	201,728	-	201,728	0.0%
Montana Heritage Commission				
Personal Services	470,000	-	470,000	0.0%
Operating Expenses	1,400,000	(50,000)	1,350,000	-3.6%
Equipment & Intangible Assets	-	150,000	150,000	100.0%
Capital Outlay	400,000	(100,000)	300,000	-25.0%
Montana Heritage Commission Total	2,270,000	-	2,270,000	0.0%
Director's Office				
Personal Services	22,000	461,330	483,330	2097.0%
Operating Expenses	2,000	195,795	197,795	9789.8%
Grants	600,000	-	600,000	0.0%
Debt Service	-	65,017	65,017	100.0%
Director's Office Total	624,000	722,142	1,346,142	115.7%
Department of Commerce Total	34,251,574	-	34,251,574	0.0%

DP 5104 - BUSMT INDIAN COUNTRY ECONOMIC DEVELOPMENT HB2 -

The executive requests to re-establish the funding for the Indian Country Economic Development (ICED) program at the same level of funding that was approved for the prior biennium. The ICED program provides resources and technical assistance to tribal governments, tribal economic development organizations, and Indian entrepreneurs to accelerate economic development in Indian communities. ICED provides small equity grants, business advisory host funds, and tribal government business planning resources. Funding is distributed to the eight tribal nations, tribal economic development organizations, and tribal member businesses.

LFD COMMENT	Funding for the Indian Country Economic Development program has been one-time-only in prior biennia. DP 5104 will establish the program as an ongoing program beginning with the 2025 biennium.
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DP 5107 - BUSMT INCREASE MMEC FUNDING HB2 -

The executive requests a general fund appropriation of \$250,000 in each fiscal year of the biennium for the Montana Manufacturing Extension Center (MMEC). This would augment the current statutory funding level of \$500,000 per fiscal year provided in 15-35-108, MCA. The National Institute of Standards and Technology, Manufacturing Extension Partnership (NIST-MEP) partially funds a Manufacturing Extension Partnership in each state and Puerto Rico. MMEC, located in MSU's College of Engineering, has been providing technical hands-on assistance to Montana's small and medium manufacturers in the areas of growth, innovation, efficiency, and resiliency since 1996. Funding for the MMEC is provided using the following model, the federal government provides 1/3 of the MMEC budget, the state government provides 1/3 of the budget, and MMEC's clients provide the remaining 1/3. MMEC currently has six field engineers/business advisors that provide technical assistance to Montana's small to medium manufacturers throughout the state. MMEC's Field Engineers complete approximately 60 projects per year with small to medium manufacturers in Montana. With the additional state funding, two additional field engineers would be hired and the agency estimates the MMEC would be able to complete approximately 90 projects per year with small to medium manufacturers in Montana.

Program Biennium Comparison

The following table compares the 2023 biennium appropriated budget to the 2025 biennium budget request by type of expenditure and source of funding.

Program Biennium Comparison				
Budget Item	Appropriated Budget 22-23	Requested Budget 24-25	Biennium Change	Biennium % Change
Operating Expenses	643,486	645,885	2,399	0.37 %
Total Expenditures	\$643,486	\$645,885	\$2,399	0.37 %
State/Other Special Rev. Funds	643,486	645,885	2,399	0.37 %
Total Funds	\$643,486	\$645,885	\$2,399	0.37 %
Total Ongoing	\$643,486	\$645,885	\$2,399	0.37 %
Total OTO	\$0	\$0	\$0	0.00 %

Program Description

Brand MT markets Montana’s nature, small towns, experiences, hospitality, and competitive business climate to promote the state as a place to visit and do business. The marketing, communications, film, and tourism programs are all part of the Brand MT team that works to sustain and grow Montana’s economy. The programs develop and use communications, advertising, development, and promotional campaigns to showcase Montana and create awareness about the state as a place to visit and do business. Through data-driven strategies and grant programs, the team aims to preserve and promote the genuine character of Montana and partners to achieve a sustainable economic future for all.

The division is comprised of five bureaus funded by House Bill 2 and statutory appropriations:

- Budget and Operations
- Marketing
- Communications
- Office of Tourism
- Film Office

Program Highlights

Brand MT Major Budget Highlights
<ul style="list-style-type: none"> • Brand MT’s 2025 biennium budget request is approximately \$2,400 or 0.4% higher than the 2023 biennium budget • The executive proposal includes state special revenue increases for statewide present law adjustments for fixed costs and inflation

Program Actuals and Budget Comparison

The following table compares FY 2022 actual expenditures, FY 2022 and FY 2023 appropriations, and the expenditures requested for FY 2024 and FY 2025 by type of expenditure and source of funding.

Budget Summary by Category									
Budget Item	-----General Fund-----				-----Total Funds-----				
	Budget Fiscal 2024	Budget Fiscal 2025	Biennium Fiscal 24-25	Percent of Budget	Budget Fiscal 2024	Budget Fiscal 2025	Biennium Fiscal 24-25	Percent of Budget	
2023 Base Budget	0	0	0	0.00 %	285,000	285,000	570,000	88.25 %	
SWPL Adjustments	0	0	0	0.00 %	63,530	12,355	75,885	11.75 %	
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		\$348,530	\$297,355	\$645,885		

Present Law Adjustments

The "Present Law" Adjustments table shows the changes from the base appropriation to the proposed budget. "Statewide Present Law" adjustments (DP 1, DP 2, DP 3) are standard categories of adjustments made to all agencies. Decisions on these items were applied globally to all agencies.

Present Law Adjustments										
	-----Fiscal 2024-----					-----Fiscal 2025-----				
	FTE	General Fund	State Special	Federal Special	Total Funds	FTE	General Fund	State Special	Federal Special	Total Funds
DP 2 - Fixed Costs	0.00	0	54,255	0	54,255	0.00	0	0	0	0
DP 3 - Inflation Deflation	0.00	0	9,275	0	9,275	0.00	0	12,355	0	12,355
Grand Total All Present Law Adjustments	0.00	\$0	\$63,530	\$0	\$63,530	0.00	\$0	\$12,355	\$0	\$12,355

***Total Funds" amount includes funding from sources other than General Fund, State Special, or Federal Special (i.e. Proprietary).

DP 2 - Fixed Costs -

The executive requests adjustments to provide the funding required in the proposed budget for fixed costs assessed by other agencies within state government for the services they provide. Examples include: warrant writer, motor pool, information technology services, etc. The rates charged for these services are approved in the section of the budget that provides the services.

DP 3 - Inflation Deflation -

The executive requests adjustments to reflect budgetary changes generated from the application of inflation and deflation factors to specific expenditure accounts. Affected accounts include: other services, supplies and materials, communications, in-state motor pool and motor pool leased vehicles, and repair and maintenance.

Program Biennium Comparison

The following table compares the 2023 biennium appropriated budget to the 2025 biennium budget request by type of expenditure and source of funding.

Program Biennium Comparison				
Budget Item	Appropriated Budget 22-23	Requested Budget 24-25	Biennium Change	Biennium % Change
Personal Services	3,572,748	4,008,629	435,881	12.20 %
Operating Expenses	3,479,246	4,298,611	819,365	23.55 %
Grants	20,604,358	20,604,358	0	0.00 %
Debt Service	196,526	184,726	(11,800)	(6.00)%
Total Expenditures	\$27,852,878	\$29,096,324	\$1,243,446	4.46 %
General Fund	1,892,566	3,023,367	1,130,801	59.75 %
State/Other Special Rev. Funds	9,655,954	9,673,456	17,502	0.18 %
Federal Spec. Rev. Funds	16,304,358	16,399,501	95,143	0.58 %
Total Funds	\$27,852,878	\$29,096,324	\$1,243,446	4.46 %
Total Ongoing	\$27,463,514	\$29,096,324	\$1,632,810	5.95 %
Total OTO	\$389,364	\$0	(\$389,364)	(100.00)%

Program Description

The Community MT Division helps communities plan for high quality growth and invests in the development of communities across Montana. Programs included in this division include the Montana Coal Endowment Program, Community Development Block Grant Program, Montana Historic Preservation Grant Program, Montana Main Street Program, and Community Technical Assistance Program. The division also provides administrative support to the Montana Coal Board and Montana Hard Rock Mining Impact Board.

Program Highlights

Community MT Major Budget Highlights
<ul style="list-style-type: none"> • Community MT’s 2025 biennium budget request is approximately \$1.2 million or 4.5% higher than the 2023 biennium budget • The executive proposal includes: <ul style="list-style-type: none"> ◦ Statewide present law adjustment increases for personal services, fixed costs, and inflation/deflation ◦ Increases in general fund to establish 2.00 FTE and for increased consulting services in the Community Technical Assistance Program ◦ State special revenue increases to establish 1.00 FTE for the Montana Historic Preservation Grant Program ◦ Increases for administrative cost adjustments ◦ Increases due to new fixed costs for the Chief Data Office in the Department of Administration

Program Actuals and Budget Comparison

The following table compares FY 2022 actual expenditures, FY 2022 and FY 2023 appropriations, and the expenditures requested for FY 2024 and FY 2025 by type of expenditure and source of funding.

Program Actuals and Budget Comparison					
Budget Item	Actuals Fiscal 2022	Approp. Fiscal 2022	Approp. Fiscal 2023	Request Fiscal 2024	Request Fiscal 2025
FTE	0.00	19.45	19.45	22.45	22.45
Personal Services	1,460,190	1,766,217	1,806,531	1,998,906	2,009,723
Operating Expenses	610,035	1,747,133	1,732,113	2,156,867	2,141,744
Grants	9,503,324	10,302,179	10,302,179	10,302,179	10,302,179
Debt Service	90,928	98,263	98,263	92,363	92,363
Total Expenditures	\$11,664,477	\$13,913,792	\$13,939,086	\$14,550,315	\$14,546,009
General Fund	908,465	937,117	955,449	1,513,894	1,509,473
State/Other Special Rev. Funds	3,587,217	4,825,309	4,830,645	4,835,939	4,837,517
Federal Spec. Rev. Funds	7,168,795	8,151,366	8,152,992	8,200,482	8,199,019
Total Funds	\$11,664,477	\$13,913,792	\$13,939,086	\$14,550,315	\$14,546,009
Total Ongoing	\$11,507,692	\$13,719,314	\$13,744,200	\$14,550,315	\$14,546,009
Total OTO	\$156,785	\$194,478	\$194,886	\$0	\$0

Program Discussion -

FY 2022 Appropriation Compared to FY 2022 Actual Expenditures

In FY 2022, Community MT expended approximately \$11.7 million or 83.8%, of their \$13.9 million appropriation. Personal services were 82.7% expended, operating expenses were 34.9% expended, and grants were 92.2% expended. Lower expenditures were primarily in operating expenses and grants. Community MT saw lower expenditures in for the Hard Rock Mining Program, Montana Coal Endowment Program, Coal Board, Community Development Block Grants, and the Economic Development Administration (EDA) Revolving Loan fund primarily due to decreased travel, fewer in-person trainings, and higher vacancies. Federal grants for large construction projects which take multiple years to complete, led to lower expenditures in grants authority.

FY 2022 Appropriations Compared to FY 2023 Appropriations

The FY 2022 appropriation authority is not significantly different from the FY 2023 appropriation authority.

Executive Request

The executive proposes an increase of \$806,000 in FY 2024 and \$802,000 in FY 2025 above the ongoing FY 2023 base budget. This increase is primarily due to new proposals to establish 3.00 FTE to carry out services for the Montana Historic Preservation Grant Program and the Community Technical Assistance Program (CTAP). Both programs have been in operation for several years. FTE for the Historic Preservation Grant Program has been funded by one-time-only requests in previous biennia. The proposed change package would make the FTE and state special revenue funding for the program permanent. In total, this change package accounts for approximately \$214,000 in biennial state special revenue increases. CTAP is requesting 2.00 additional FTE and an increase in consulting services to meet the increased demand. In total, this request accounts for \$756,000 of the increased biennial appropriation. Other increases are for statewide present law adjustments for personal services, fixed costs, and inflation, as well as increased administrative cost adjustments.

Program Personal Services Narrative

Community MT has 19.45 HB 2 FTE. As of August 1, 2022, the division had 6.00 FTE vacant. In FY 2022, the agency had two employees leave state employment, one retire, and one transfer to a new agency.

The executive proposes statewide present law adjustment increases of \$79,000 in FY 2024 and \$90,000 in FY 2025. The 2025 biennium personal service statewide present law request includes legislative changes and management decisions. The personal services management decisions include broadband pay raises and wage changes due to employee turnover. This statewide present law adjustment is primarily driven by management decisions in FY 2022 that included reclassifications of position titles and retention pay adjustments.

Funding

The following table shows proposed agency funding for all sources of authority.

Department of Commerce, 60-Community M T Funding by Source of Authority						
Funds	HB2 Ongoing	HB2 OTO	Non-Budgeted Proprietary	Statutory Appropriation	Total All Sources	% Total All Funds
01100 General Fund	3,023,367	0	0	0	3,023,367	9.99 %
02049 Hard Rock Mining	516,464	0	0	1,168,736	1,685,200	15.54 %
02116 Accommodation Tax Account	237,224	0	0	0	237,224	2.19 %
02270 MT Coal Endowment	1,607,756	0	0	0	1,607,756	14.83 %
02445 Coal Board	7,312,012	0	0	0	7,312,012	67.44 %
State Special Total	\$9,673,456	\$0	\$0	\$1,168,736	\$10,842,192	35.82 %
03059 Community Development Block	14,887,295	0	0	0	14,887,295	90.78 %
03061 EDA Revolving Loan Fund	945,974	0	0	0	945,974	5.77 %
03932 CDBG RLF	566,232	0	0	0	566,232	3.45 %
Federal Special Total	\$16,399,501	\$0	\$0	\$0	\$16,399,501	54.19 %
Proprietary Total	\$0	\$0	\$0	\$0	\$0	0.00 %
Total All Funds	\$29,096,324	\$0	\$0	\$1,168,736	\$30,265,060	

HB 2 Authority

General Fund

General fund appropriations account for 10.0% of the total proposed appropriation authority. General fund is used to provide matching funds for the Community Development Block Grant Program and support the Community Technical Assistance Program.

State Special Revenue

State special revenue makes up 32.0% of total proposed appropriation authority. These appropriations are primarily comprised of funding for the Coal Board, Montana Coal Endowment Program (MCEP), and the Hard Rock Mining Impact Board. The Coal Board provides grants to governmental units to assist them in providing governmental services or facilities that are needed as a direct consequence of an increase or decrease in coal development or in the consumption of coal by the coal-using energy complex. MCEP is a local government infrastructure-financing program funded by investment earnings on the coal severance tax funds. Revenue from the coal tax trust is transferred to the state special revenue fund for administrative costs (appropriated in HB 2) and grants (typically appropriated in HB 11). The Hard Rock Mining Impact Board provides technical assistance to local governments to mitigate local government services, facility, and fiscal impacts related to new large-scale hard rock mining developments. The Board is funded with metal mines license tax distributions for administrative costs (appropriated in HB 2) and community distributions (statutorily appropriated).

Federal Special Revenue

Federal special revenue accounts for 54.2% of the total proposed appropriation authority. The majority of these funds are for Community Development Block grants with the remaining portion being for the U.S. Economic Development Administration (EDA) Revolving Loan fund. The Community Development Block Grant Program provides funds to cities, towns, and counties with fewer than 50,000 residents. The purpose of these funds is to develop and preserve affordable housing, provide community services, and create and retain jobs.

Statutory Appropriations

Community MT has one statutory appropriation for the Hard Rock Mining Impact Board. Statutory authority accounts for 3.9% of the total proposed appropriation authority. As previously mentioned, the Hard Rock Mining Impact Board is administratively funded from HB 2 state special revenue, while community distributions are statutorily appropriated.

2025 Biennium Report on Internal Service and Enterprise Funds

Fund	Fund Name	Agency #	Agency Name	Program Name
06012	FFA Loan Program	65010	Dept of Commerce	MT Facility Finance Authority
06015	Facilities Finance Authority			
06017	C-PACE Commercial Property			

	Estimated FY 22	Estimated FY 23	Proposed FY 24	Proposed FY 25
Operating Revenues				
Fees and Charges				
Charges for Services	1,152,629	575,000	660,000	625,000
BOI Investment Earnings Class	81,720	125,000	85,000	87,500
Other Charges for Services		100,000	150,000	175,000
Total Operating Revenues	1,234,348	800,000	895,000	887,500
Expenses				
Personal Services	373,288	341,020	355,251	357,426
Other Operating Expense	225,578	202,641	265,656	243,751
Capital Leases	1,198	29,056	29,056	29,056
Total Operating Expense	600,064	572,717	649,963	630,233
Operating Income (Loss)	634,284	227,283	245,037	257,267
Nonoperating Revenues				
Other Revenue A				
Other Revenue B				
Nonoperating Expenses				
Grants	(25,000)	(150,000)	(150,000)	(150,000)
Other Expense B				
Total Nonoperating Revenues (Expenses)	(25,000)	(150,000)	(150,000)	(150,000)
Income (Loss) Before Contributions and Transfers	609,284	77,283	95,037	107,267
Capital Contributions				
Transfers In				
Transfers Out		(35,000)	(35,000)	(35,000)
Loans and Lease Payments				
Change in Net Position	609,284	42,283	60,037	72,267
Beginning Net Position - July 1	8,940,138	9,543,611	9,585,894	9,645,931
Prior Period Adjustments	(5,812)			

Change in Net Position	609,284	42,283	60,037	72,267
Ending Net Position - June 30	9,543,611	9,585,894	9,645,931	9,718,198
Net Position (Fund Balance) Analysis				
Restricted Net Position (Enterprise Funds Only)				
Unrestricted Net Position	9,543,611	9,585,894	9,645,931	9,718,198

Expenses

The executive is proposing an increase in personal services, operating costs, and capital leases in the 2025 biennium. This increase is primarily due to present law adjustments for personal services, fixed costs, and inflation. Other increases are for increased administrative costs for rent, software updates, computer replacements, and increased travel.

Revenues

Revenues are projected to decrease in the Facility Finance Authority.

Proprietary Rates

**Requested Rates for Internal Service or Enterprise Funds
Fee/Rate Information**

Fee Description:

Application Fee:

<u>Loan Amount</u>	<u>Fee</u>
Up to \$5,000,000	30 basis points (bp) (.0030)
Up to \$10,000,000	the > of 25 bp or \$ 15,000
Up to \$25,000,000	the > of 15 bp or \$ 25,000
Up to \$50,000,000	the > of 12.5 bp or \$ 37,500
Up to \$100,000,000	the > of 7.5 bp or \$ 62,500
Over \$100,000,000	the > of 6.5 bp or \$ 75,000

Annual Fee:

Stand Alone Bond Issues	5 bp X the outstanding principal amount
Private Placement bond issues	5 bp X the outstanding principal amount
Master Loan Program	10 bp X the outstanding principal amount

Monthly fee:

Trust Fund Loan Program	50 bp X the outstanding principal amount
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Authority: Fee revenues: 90-7-202 and 90-7-211, MCA; Investment Earnings: 90-7-202, MCA

This program is funded with an internal service fund, which is a type of proprietary fund. As such, the legislature approves the maximum rate the program may charge during the biennium. They are not the rates the program must charge.

DP 7502 - BOI ADMINISTRATIVE COSTS ADJUSTMENTS -

The executive requests adjustments to on-going appropriations for increases in non-state building rent per the terms of the lease agreement, as well as a decrease in the indirect costs paid to Director's Office for support services provided to supported divisions, bureaus, and programs.

New Proposals

The "New Proposals" table shows new proposals for spending.

New Proposals	-----Fiscal 2024-----					-----Fiscal 2025-----				
	FTE	General Fund	State Special	Federal Special	Total Funds	FTE	General Fund	State Special	Federal Special	Total Funds
DP 99 - New Fixed Costs	0.00	0	0	0	631	0.00	0	0	0	631
Total	0.00	\$0	\$0	\$0	\$631	0.00	\$0	\$0	\$0	\$631

*"Total Funds" amount includes funding from sources other than General Fund, State Special, or Federal Special (i.e. Proprietary).

DP 99 - New Fixed Costs -

The executive requests appropriations for the agency to provide funding for a new fixed cost for the Chief Data Office. Additionally, the executive requests appropriations of \$704 for the agency to provide funding for a new fixed cost for the State Management Training Center. This appropriation is offset by a reduction to the existing training budget in the agency. The rates charged for this service are approved in the section of the budget that provides the services.

Other Issues -

Proprietary Rates

The Board of Investments has two programs funded by proprietary funds, which include:

- The Industrial Revenue Bond, which funds the Intermediate Term Capital (INTERCAP) Program
- The Investment Division Program, which funds the investment programs

The Board of Investments' customers include state agencies, the university system, local governments, financial institutions, and local economic development organizations.

Industrial Revenue Bond 1-95 – 06014

Proprietary Program Description

The Industrial Revenue Bond proprietary fund is used to fund the INTERCAP Program, an enterprise fund. The INTERCAP program only loans funds to eligible governmental units as defined under 17-5-1604, MCA. The Board sells bonds and lends the proceeds to eligible governments for various projects. Loan terms range from 1 to 15 years. Short-term loans to finance cash flow deficits or bridge financing are also available.

Proprietary Program Revenues and Expenses

The following table shows the actual and projected expenditures and related revenues associated with this fund.

2025 Biennium Report on Internal Service and Enterprise Funds						
Fund	Fund Name	Agency #	Agency Name	Program Name		
06014	BOI Municipal Finance Programs	65010	Dept. of Commerce	Board of Investments		
			Actual FY 22	Estimated FY 23	Proposed FY 24	Proposed FY 25
Operating Revenues						
Fees and Charges						
	BOI Investment Earnings Class		1,136,430	1,200,000	1,211,901	1,211,901
	Grants/Transfers/Misc.		-	-		
	Total Operating Revenues		1,136,430	1,200,000	1,211,901	1,211,901
Expenses						
	Personal Services		382,250	440,715	431,859	434,503
	Operating Expense		91,374	202,104	228,702	206,896
	Debt Service		-	556	556	556
	Total Operating Expense		473,624	643,375	661,117	641,955
	Operating Income (Loss)		662,806	556,625	550,784	569,946
Nonoperating Revenues						
	Other Revenue A					
	Other Revenue B					
Nonoperating Expenses						
	Debt Service (Bonds)		(478,899)	(2,080,451)	(600,000)	(600,000)
	Other Expense B					
	Total Nonoperating Revenues (Expenses)		(478,899)	(2,080,451)	(600,000)	(600,000)
	Change in Net Position		183,907	(1,523,826)	(49,216)	(30,054)
	Beginning Net Position - July 1		5,290,933	5,475,158	3,951,332	3,902,116
	Prior Period Adjustments		318			
	Change in Net Position		183,907	(1,523,826)	(49,216)	(30,054)
	Ending Net Position - June 30		5,475,158	3,951,332	3,902,116	3,872,062

Expenses

The executive is proposing a decrease in personal services due to employee turnover and hiring new employees at lower wages. Increases in operating expenses are due to statewide present law adjustments for fixed costs and inflation, as well as increased administrative costs for non-state building rent.

Revenues

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.

Proprietary Rates

The Board of Investments recovers its costs from the entities that use its services. Typically, this has been done by requesting a maximum level of expenditures and setting a fee at that level. Fees proposed for the INTERCAP Program are shown below.

Requested Rates for Internal Service or Enterprise Funds Fee/Rate Information				
	Actual FY 22	Estimated FY 23	Proposed FY 24	Proposed FY 25
Fee Description:				
Fees & Investment Revenues	\$ 1,136,429	\$ 1,200,000	\$ 1,211,901	\$ 1,211,901

This program is funded with an enterprise fund, which is a type of proprietary fund. As such, the legislature does not appropriate the funds or approve the rates for the program. Instead, the legislature reviews the report for the enterprise fund and identifies concerns with the financial position of the fund.

Investment Division – 06527

Proprietary Program Description

The Investment Division proprietary fund is an internal service fund that funds the Investment Program. The Board of Investment’s customers include state agencies, the university system, local governments, financial institutions, and local economic development organizations.

Proprietary Program Revenues and Expenses

The following table shows the actual and projected expenditures and related revenues associated with this fund.

2025 Biennium Report on Internal Service and Enterprise Funds						
Fund	Fund Name	Agency #	Agency Name	Program Name		
06527	Investment Division	65010	Dept of Commerce	Board of Investments		
			Actual FY 22	Estimated FY 23	Proposed FY 24	Proposed FY 25
Operating Revenues						
Fees and Charges						
Charges For Services			7,471,210	7,695,543	7,826,543	7,826,543
Total Operating Revenues			7,471,210	7,695,543	7,826,543	7,826,543
Expenses						
Personal Services			4,234,775	4,691,689	4,334,164	4,354,900
Operating Expense			4,113,300	3,003,854	3,240,229	3,175,852
Debt Service						
Total Operating Expense			8,348,075	7,695,543	7,574,393	7,530,752
Operating Income (Loss)			(876,865)	-	252,150	295,791
Change in Net Position			(876,865)	-	252,150	295,791
Beginning Net Position - July 1			1,245,259	368,828	368,828	620,978
Prior Period Adjustments			434			
Change in Net Position			(876,865)	-	252,150	295,791
Ending Net Position - June 30			368,828	368,828	620,978	916,769

Expenses

The executive is proposing a decrease in statewide present law adjustments for personal services due to employee turnover and hiring new positions at lower wage rates. Increases in operating expenses are due to statewide present law adjustments for fixed costs and inflation, as well as increased administrative costs for non-state building rent.

Revenues

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 60-day working capital reserve.

Proprietary Rates

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

Requested Rates for Internal Service or Enterprise Funds Fee/Rate Information				
	Actual FY 22	Estimated FY 23	Proposed FY 24	Proposed FY 25
BOI Administrative Fee Rate	\$7,471,401	\$7,695,543	\$7,826,543	\$7,826,543

This program is funded with an internal service fund, which is a type proprietary fund. As such, the legislature approves the maximum rate the program may charge during the biennium. They are not the rates the program must charge.

Program Biennium Comparison

The following table compares the 2023 biennium appropriated budget to the 2025 biennium budget request by type of expenditure and source of funding.

Program Biennium Comparison				
Budget Item	Appropriated Budget 22-23	Requested Budget 24-25	Biennium Change	Biennium % Change
Personal Services	39,265	39,155	(110)	(0.28)%
Operating Expenses	363,196	372,469	9,273	2.55 %
Total Expenditures	\$402,461	\$411,624	\$9,163	2.28 %
State/Other Special Rev. Funds	402,461	411,624	9,163	2.28 %
Total Funds	\$402,461	\$411,624	\$9,163	2.28 %
Total Ongoing	\$402,461	\$411,624	\$9,163	2.28 %
Total OTO	\$0	\$0	\$0	0.00 %

Program Description

The Montana Board of Horse Racing originated in 1965 through the legislative process. The stated purpose is to regulate and monitor horse racing in the State of Montana. Over the course of 57 years their role has been modified and grown. The Board continues to regulate and monitor but it now also offers support and guidance.

The Board of Horse Racing is appropriated through HB 2 and statutory appropriations, and funded by revenue derived from licenses and fees, as well as the collection of a percentage of wagering on live and remote racing events.

The program work is mandated in Title 2, Chapter 15, and Title 23, Chapter 4, MCA.

Program Highlights

Montana Board of Horse Racing Major Budget Highlights
<ul style="list-style-type: none"> • The Montana Board of Horse Racing’s 2025 biennium requested appropriations are approximately \$9,000 or 2.3% higher than the 2023 biennium • The executive proposal includes: <ul style="list-style-type: none"> ◦ Increases in statewide present law adjustments for personal services, fixed costs, and inflation/deflation ◦ A reduction in personal services to account for the executive secretary position that is contracted out

Program Actuals and Budget Comparison

The following table compares FY 2022 actual expenditures, FY 2022 and FY 2023 appropriations, and the expenditures requested for FY 2024 and FY 2025 by type of expenditure and source of funding.

Program Actuals and Budget Comparison					
Budget Item	Actuals Fiscal 2022	Approp. Fiscal 2022	Approp. Fiscal 2023	Request Fiscal 2024	Request Fiscal 2025
FTE	0.00	1.25	1.25	1.25	1.25
Personal Services	22,293	19,131	20,134	19,541	19,614
Operating Expenses	118,786	181,602	181,594	186,044	186,425
Total Expenditures	\$141,079	\$200,733	\$201,728	\$205,585	\$206,039
State/Other Special Rev. Funds	141,079	200,733	201,728	205,585	206,039
Total Funds	\$141,079	\$200,733	\$201,728	\$205,585	\$206,039
Total Ongoing	\$141,079	\$200,733	\$201,728	\$205,585	\$206,039
Total OTO	\$0	\$0	\$0	\$0	\$0

Program Discussion -

FY 2022 Appropriation Compared to FY 2022 Actual Expenditures

In FY 2022, the Board of Horse Racing expended approximately \$141,000, or 70.3%, of their \$201,000 appropriation. Personal services were over 100.0% expended while operating expenses were 65.4% expended. Historically, the Board of Horse Racing had a Memorandum of Understanding (MOU) with the Lottery to operate a fantasy sports game. The Lottery would record expenses from operating the game and deposited revenue into the Board of Horse Racing state special account. This MOU came to an end in FY 2022 and the Lottery no longer records their expenses in this fund leading to lower expenditures.

FY 2022 Appropriations Compared to FY 2023 Appropriations

The FY 2022 appropriation authority is not significantly different from the FY 2023 appropriation authority.

Executive Request

The executive requests an increase of approximately \$4,000 in both FY 2024 and FY 2025 above the FY 2023 base appropriations in the Board of Horse Racing. State special revenue increases are due to present law adjustments for fixed costs and inflation.

Program Personal Services Narrative

The Board of Horse Racing's has 1.25 HB 2 FTE, 1.00 FTE for an executive secretary and 0.25 FTE short-term workers. The executive secretary position has historically been contracted out and expended with operating expense funds. Therefore, present law personal service funding is not needed and is removed through a decision package. The Board of Horse Racing does have a small portion of personal services funding for short-term temporary workers who regulate and act as stewards during live horse racing events.

Funding

The following table shows proposed agency funding for all sources of authority.

Department of Commerce, 78-Board of Horse Racing Funding by Source of Authority							
Funds	HB2 Ongoing	HB2 OTO	Non-Budgeted Proprietary	Statutory Appropriation	Total All Sources	% Total All Funds	
General Fund	0	0	0	0	0	0.00 %	
02029 BOHR Operation Fund	411,624	0	0	770,000	1,181,624	100.00 %	
State Special Total	\$411,624	\$0	\$0	\$770,000	\$1,181,624	100.00 %	
Federal Special Total	\$0	\$0	\$0	\$0	\$0	0.00 %	
Proprietary Total	\$0	\$0	\$0	\$0	\$0	0.00 %	
Total All Funds	\$411,624	\$0	\$0	\$770,000	\$1,181,624		

The Board of Horse Racing is responsible for regulating, ensuring compliance, licensing, and auditing all horse racing in the State of Montana. The board is funded with state special revenue from a 1.0% tax on gross receipts from pari-mutuel betting (for simulcast facilities, the tax is greater than 1.0%). Statutory authority is for live race purses.

LFD COMMENT	The Board of Horse Racing state special revenue fund currently has a \$1.1 million fund balance. The agency projects to carry this fund balance through the 2025 biennium. The legislature may wish to discuss with the agency their plans for this fund balance.
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Program Budget Summary by Category

The following table summarizes the total budget by base, present law adjustments, and new proposals. For a description of these categories, please see the glossary.

Budget Item	-----General Fund-----				-----Total Funds-----			
	Budget Fiscal 2024	Budget Fiscal 2025	Biennium Fiscal 24-25	Percent of Budget	Budget Fiscal 2024	Budget Fiscal 2025	Biennium Fiscal 24-25	Percent of Budget
2023 Base Budget	0	0	0	0.00 %	201,728	201,728	403,456	98.02 %
SWPL Adjustments	0	0	0	0.00 %	90,157	90,885	181,042	43.98 %
PL Adjustments	0	0	0	0.00 %	(86,300)	(86,574)	(172,874)	(42.00)%
New Proposals	0	0	0	0.00 %	0	0	0	0.00 %
Total Budget	\$0	\$0	\$0		\$205,585	\$206,039	\$411,624	

Present Law Adjustments

The "Present Law" Adjustments table shows the changes from the base appropriation to the proposed budget. "Statewide Present Law" adjustments (DP 1, DP 2, DP 3) are standard categories of adjustments made to all agencies. Decisions on these items were applied globally to all agencies.

Present Law Adjustments	Fiscal 2024					Fiscal 2025				
	FTE	General Fund	State Special	Federal Special	Total Funds	FTE	General Fund	State Special	Federal Special	Total Funds
DP 1 - Personal Services	0.00	0	85,363	0	85,363	0.00	0	85,720	0	85,720
DP 2 - Fixed Costs	0.00	0	1,940	0	1,940	0.00	0	1,408	0	1,408
DP 3 - Inflation Deflation	0.00	0	2,854	0	2,854	0.00	0	3,757	0	3,757
DP 7801 - BOHR ADMINISTRATIVE COSTS ADJUSTMENTS	0.00	0	(86,300)	0	(86,300)	0.00	0	(86,574)	0	(86,574)
Grand Total All Present Law Adjustments	0.00	\$0	\$3,857	\$0	\$3,857	0.00	\$0	\$4,311	\$0	\$4,311

*"Total Funds" amount includes funding from sources other than General Fund, State Special, or Federal Special (i.e. Proprietary).

DP 1 - Personal Services -

The executive requests adjustments to the present law personal services budget. This request has been broken into the following categories, and further detail is shown in the agency summary:

- Legislatively approved changes
- Management decisions
- Budget modifications made to the personal services budget in the 2023 biennium

DP 2 - Fixed Costs -

The executive requests adjustments to provide the funding required in the proposed budget for fixed costs assessed by other agencies within state government for the services they provide. Examples include: warrant writer, motor pool, information technology services, etc. The rates charged for these services are approved in the section of the budget that provides the services.

DP 3 - Inflation Deflation -

The executive requests adjustments to reflect budgetary changes generated from the application of inflation and deflation factors to specific expenditure accounts. Affected accounts include: other services, supplies and materials, communications, in-state motor pool and motor pool leased vehicles, and repair and maintenance.

DP 7801 - BOHR ADMINISTRATIVE COSTS ADJUSTMENTS -

The executive requests a reduction for the Board of Horse Racing's 2025 biennium personal services budget to current estimates for the 2025 biennium. The Board of Horse Racing currently is contracting for its executive secretary, which is funded through an operating expense category. This change package removes the 2025 biennium personal services funding for the position without removing the board's executive secretary position.

Program Biennium Comparison

The following table compares the 2023 biennium appropriated budget to the 2025 biennium budget request by type of expenditure and source of funding.

Program Biennium Comparison				
Budget Item	Appropriated Budget 22-23	Requested Budget 24-25	Biennium Change	Biennium % Change
Personal Services	939,941	1,259,721	319,780	34.02 %
Operating Expenses	2,700,000	2,805,718	105,718	3.92 %
Equipment & Intangible Assets	400,000	300,000	(100,000)	(25.00)%
Capital Outlay	500,000	600,000	100,000	20.00 %
Total Expenditures	\$4,539,941	\$4,965,439	\$425,498	9.37 %
State/Other Special Rev. Funds	4,539,941	4,965,439	425,498	9.37 %
Total Funds	\$4,539,941	\$4,965,439	\$425,498	9.37 %
Total Ongoing	\$4,539,941	\$4,965,439	\$425,498	9.37 %
Total OTO	\$0	\$0	\$0	0.00 %

Program Description

In 1997, the 55th Montana Legislature established the Montana Heritage Preservation and Development Commission (MHC) to acquire and manage historic properties for the State of Montana. This legislation approved the purchase of Virginia and Nevada City which comprised 248 buildings and 1.2 million Americana artifacts residing on 260 acres. These large historic town sites were the first properties managed by the MHC.

Since 1997, the Montana Board of Land Commissioners approved two additional acquisitions of historic Reeder’s Alley and the Pioneer Cabin in Helena. Reeder’s Alley was received through a private donation on November 19, 2001. The Pioneer Cabin at the front of Reeder’s Alley was received from a private donation on June 19, 2006.

The Montana legislature authorizes MHC to care for heritage resources “in a manner that protects the properties and encourages economic independence” (MCA 22-3-1001). Our statutory purpose is to acquire and manage, on behalf of the state, properties that possess outstanding historical value, display exceptional qualities worth preserving, and are genuinely representative of the state’s culture and history. MHC has worked to expand the economic and revenue generating uses for our state buildings. MHC is responsible for the management and economic use of these historic properties including building improvements, structural stabilization, site maintenance, artifact conservation, and protection of diverse historic features. MHC serves as a resource for the public and professionals interested in learning more about Montana history, historic building preservation, and archaeology, conservation of artifacts, education, living history, and historic site management.

Program Highlights

Montana Heritage Commission Major Budget Highlights
<ul style="list-style-type: none"> • The Montana Heritage Commission 2025 biennium requested appropriations are approximately \$546,000 or 12.0% higher than the 2023 biennium • The executive proposal includes: <ul style="list-style-type: none"> ◦ Increases in statewide present law adjustments for personal services and inflation/deflation ◦ Decreases in statewide present law adjustments for fixed costs ◦ State special revenue increases for administrative costs provided by the Director’s Office and for new fixed costs related to the new Chief Data Office in the Department of Administration

Program Actuals and Budget Comparison

The following table compares FY 2022 actual expenditures, FY 2022 and FY 2023 appropriations, and the expenditures requested for FY 2024 and FY 2025 by type of expenditure and source of funding.

Program Actuals and Budget Comparison					
Budget Item	Actuals Fiscal 2022	Approp. Fiscal 2022	Approp. Fiscal 2023	Request Fiscal 2024	Request Fiscal 2025
FTE	0.00	8.00	8.00	8.00	8.00
Personal Services	530,078	469,941	470,000	628,170	631,551
Operating Expenses	1,444,402	1,350,000	1,350,000	1,396,806	1,408,912
Equipment & Intangible Assets	130,000	250,000	150,000	150,000	150,000
Capital Outlay	69,500	200,000	300,000	300,000	300,000
Total Expenditures	\$2,173,980	\$2,269,941	\$2,270,000	\$2,474,976	\$2,490,463
State/Other Special Rev. Funds	2,173,980	2,269,941	2,270,000	2,474,976	2,490,463
Total Funds	\$2,173,980	\$2,269,941	\$2,270,000	\$2,474,976	\$2,490,463
Total Ongoing	\$2,173,980	\$2,269,941	\$2,270,000	\$2,474,976	\$2,490,463
Total OTO	\$0	\$0	\$0	\$0	\$0

Program Discussion -

FY 2022 Appropriation Compared to FY 2022 Actual Expenditures

In FY 2022, the Montana Heritage Commission expended approximately 95.8% of their \$2.3 million HB 2 modified budget. Personal services and operating expenses were over 100.0% expended while equipment/intangible assets and capital outlay were 52.0% and 34.8% expended, respectively. The Montana Heritage Commission has a Montana Operations Manual (MOM) policy that requires the Commission to record expenses over \$25,000 as capital asset building improvements. Anything under \$25,000 is recorded as an operating expense. In FY 2022, the Commission had fewer individual expenditures that surpassed the \$25,000 limit causing an increase in operating expenditures and a decrease in equipment and intangible assets and capital asset expenditures.

FY 2022 Appropriations Compared to FY 2023 Appropriations

The FY 2023 total appropriation authority is not substantially different from FY 2022 appropriation authority. However, \$100,000 was transferred from capital outlay to equipment and intangible assets in the Montana Heritage Commission for the division to purchase a new train for Virginia and Nevada City.

Executive Request

The executive is requesting an increase of approximately \$205,000 in FY 2024 and \$220,000 in FY 2025 above the FY 2023 base appropriation. This increase is largely due to present law adjustments for personal services and inflation. Other state special revenue increases include funding for increased administrative costs for services performed by the Director’s Office and for new fixed costs related to the new Chief Data Office in the Department of Administration. The executive is requesting a decrease in state special revenue for fixed costs towards insurance payments.

Program Personal Services Narrative

The Montana Heritage Commission has 8.00 HB 2 funded FTE. As of August 1, 2022, the division did not have any vacancies.

Personal services were \$470,000 or 20.7% of the total FY 2023 appropriations. The executive proposes a present law adjustment increase of approximately \$158,000 in FY 2024 and \$162,000 in FY 2025. During the 2023 biennium, the division did issue market rate adjustments that increased total employee pay. Additionally, during the 2021 Legislative Session, authority for this program was transferred from statutory authority to HB 2. When this transfer in authority occurred personal service costs were underestimated, contributing to the need for a higher present law adjustment.

Funding

The following table shows proposed agency funding for all sources of authority.

Department of Commerce, 80-Montana Heritage Commission Funding by Source of Authority							
Funds	HB2 Ongoing	HB2 OTO	Non-Budgeted Proprietary	Statutory Appropriation	Total All Sources	% Total All Funds	
General Fund	0	0	0	0	0	0.00 %	
02102 Montana Heritage Commission	4,965,439	0	0	0	4,965,439	100.00 %	
State Special Total	\$4,965,439	\$0	\$0	\$0	\$4,965,439	100.00 %	
Federal Special Total	\$0	\$0	\$0	\$0	\$0	0.00 %	
Proprietary Total	\$0	\$0	\$0	\$0	\$0	0.00 %	
Total All Funds	\$4,965,439	\$0	\$0	\$0	\$4,965,439		

HB 2 Authority

State Special Revenue

The Montana Heritage Commission is entirely funded with HB 2 state special revenue since the 2021 Legislative Session. Funding comes from revenues from Virginia City, Nevada City, and Reeder’s Alley, as well as light vehicle registrations. The Commission also receives \$1.0 million each fiscal year from the lodging facility use tax.

Program Budget Summary by Category

The following table summarizes the total budget by base, present law adjustments, and new proposals. For a description of these categories, please see the glossary.

Budget Summary by Category									
Budget Item	-----General Fund-----				-----Total Funds-----				
	Budget Fiscal 2024	Budget Fiscal 2025	Biennium Fiscal 24-25	Percent of Budget	Budget Fiscal 2024	Budget Fiscal 2025	Biennium Fiscal 24-25	Percent of Budget	
2023 Base Budget	0	0	0	0.00 %	2,270,000	2,270,000	4,540,000	91.43 %	
SWPL Adjustments	0	0	0	0.00 %	189,749	205,236	394,985	7.95 %	
PL Adjustments	0	0	0	0.00 %	15,148	15,148	30,296	0.61 %	
New Proposals	0	0	0	0.00 %	79	79	158	0.00 %	
Total Budget	\$0	\$0	\$0		\$2,474,976	\$2,490,463	\$4,965,439		

Present Law Adjustments

The "Present Law" Adjustments table shows the changes from the base appropriation to the proposed budget. "Statewide Present Law" adjustments (DP 1, DP 2, DP 3) are standard categories of adjustments made to all agencies. Decisions on these items were applied globally to all agencies.

Present Law Adjustments										
	-----Fiscal 2024-----					-----Fiscal 2025-----				
	FTE	General Fund	State Special	Federal Special	Total Funds	FTE	General Fund	State Special	Federal Special	Total Funds
DP 1 - Personal Services	0.00	0	158,170	0	158,170	0.00	0	161,551	0	161,551
DP 2 - Fixed Costs	0.00	0	(41,883)	0	(41,883)	0.00	0	(46,027)	0	(46,027)
DP 3 - Inflation Deflation	0.00	0	73,462	0	73,462	0.00	0	89,712	0	89,712
DP 8003 - MHC ADMINISTRATIVE COSTS ADJUSTMENTS	0.00	0	15,148	0	15,148	0.00	0	15,148	0	15,148
Grand Total All Present Law Adjustments	0.00	\$0	\$204,897	\$0	\$204,897	0.00	\$0	\$220,384	\$0	\$220,384

**Total Funds" amount includes funding from sources other than General Fund, State Special, or Federal Special (i.e. Proprietary).

DP 1 - Personal Services -

The executive requests adjustments to the present law personal services budget. This request has been broken into the following categories, and further detail is shown in the agency summary:

- Legislatively approved changes
- Management decisions
- Budget modifications made to the personal services budget in the 2023 biennium

DP 2 - Fixed Costs -

The executive requests adjustments to provide the funding required in the proposed budget for fixed costs assessed by other agencies within state government for the services they provide. Examples include: warrant writer, motor pool, information technology services, etc. The rates charged for these services are approved in the section of the budget that provides the services.

DP 3 - Inflation Deflation -

The executive requests adjustments to reflect budgetary changes generated from the application of inflation and deflation factors to specific expenditure accounts. Affected accounts include: other services, supplies and materials, communications, in-state motor pool and motor pool leased vehicles, and repair and maintenance.

DP 8003 - MHC ADMINISTRATIVE COSTS ADJUSTMENTS -

The executive requests administrative adjustments for indirect costs paid to the Director's Office for support services provided to supported divisions, bureaus, and programs.

New Proposals

The "New Proposals" table shows new proposals for spending.

New Proposals	-----Fiscal 2024-----					-----Fiscal 2025-----				
	FTE	General Fund	State Special	Federal Special	Total Funds	FTE	General Fund	State Special	Federal Special	Total Funds
DP 99 - New Fixed Costs	0.00	0	79	0	79	0.00	0	79	0	79
Total	0.00	\$0	\$79	\$0	\$79	0.00	\$0	\$79	\$0	\$79

*"Total Funds" amount includes funding from sources other than General Fund, State Special, or Federal Special (i.e. Proprietary).

DP 99 - New Fixed Costs -

The executive requests appropriations for the agency to provide funding for a new fixed cost for the Chief Data Office. Additionally, the executive requests appropriations of \$88 for the agency to provide funding for a new fixed cost for the State Management Training Center. This appropriation is offset by a reduction to the existing training budget in the agency. The rates charged for this service are approved in the section of the budget that provides the services.

Program Biennium Comparison

The following table compares the 2023 biennium appropriated budget to the 2025 biennium budget request by type of expenditure and source of funding.

Program Biennium Comparison				
Budget Item	Appropriated Budget 22-23	Requested Budget 24-25	Biennium Change	Biennium % Change
Personal Services	966,040	950,050	(15,990)	(1.66)%
Operating Expenses	410,580	432,778	22,198	5.41 %
Grants	1,200,000	1,200,000	0	0.00 %
Debt Service	130,034	130,034	0	0.00 %
Total Expenditures	\$2,706,654	\$2,712,862	\$6,208	0.23 %
General Fund	1,488,704	1,494,912	6,208	0.42 %
State/Other Special Rev. Funds	17,950	17,950	0	0.00 %
Federal Spec. Rev. Funds	1,200,000	1,200,000	0	0.00 %
Total Funds	\$2,706,654	\$2,712,862	\$6,208	0.23 %
Total Ongoing	\$2,706,654	\$2,712,862	\$6,208	0.23 %
Total OTO	\$0	\$0	\$0	0.00 %

Program Description

Director's Office:

The Director's Office at the Montana Department of Commerce leads the Department's mission of economic and community development of the state and provides effective and efficient customer service to the Department's programs and professionals. Services are provided by the Offices of Accounting and Budget, Legal Affairs, Human Resources, Information Technology, and Research.

The Director's Office builds relationships with private businesses, local governments, administratively attached boards, public, private, non-profit interest groups, the Legislature, Indian tribes, individuals, other governmental agencies, the U.S. Census Bureau, the Governor's Office, and other key stakeholders.

In addition, the Director's Office provides critical central services to the agency and administratively attached boards and commissions; as, every division, bureau, and program in the agency uses the services in the Director's Office in some capacity.

The Director's Office responsibilities are mandated primarily in Title 2, Chapter 15 and Title 90, Chapter 1, MCA.

Montana Council on Developmental Disabilities (MCDD):

The Montana Council on Developmental Disabilities is a citizen-based advocacy group administratively attached to the Director's Office. 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 Major Budget Highlights
<ul style="list-style-type: none"> • The Director’s Office 2025 biennium requested appropriations are approximately \$6,000 or 0.2% greater than the 2023 biennium • The executive proposal includes: <ul style="list-style-type: none"> ◦ Statewide present law increases for fixed costs and inflation ◦ A decrease in statewide present law adjustments for personal services ◦ General fund increases for: <ul style="list-style-type: none"> ▪ Administrative cost ▪ New fixed costs related to the Chief Data Office in the Department of Administration
Legislative Action Items
<ul style="list-style-type: none"> • Consider reestablishment of funding for HB 648 for the Coal Ash Markets Investigation Program

Program Actuals and Budget Comparison

The following table compares FY 2022 actual expenditures, FY 2022 and FY 2023 appropriations, and the expenditures requested for FY 2024 and FY 2025 by type of expenditure and source of funding.

Program Actuals and Budget Comparison					
Budget Item	Actuals Fiscal 2022	Approp. Fiscal 2022	Approp. Fiscal 2023	Request Fiscal 2024	Request Fiscal 2025
FTE	0.00	4.85	4.85	4.85	4.85
Personal Services	484,284	482,710	483,330	473,185	476,865
Operating Expenses	174,297	212,785	197,795	216,218	216,560
Grants	512,577	600,000	600,000	600,000	600,000
Debt Service	64,033	65,017	65,017	65,017	65,017
Total Expenditures	\$1,235,191	\$1,360,512	\$1,346,142	\$1,354,420	\$1,358,442
General Fund	722,614	751,537	737,167	745,445	749,467
State/Other Special Rev. Funds	0	8,975	8,975	8,975	8,975
Federal Spec. Rev. Funds	512,577	600,000	600,000	600,000	600,000
Total Funds	\$1,235,191	\$1,360,512	\$1,346,142	\$1,354,420	\$1,358,442
Total Ongoing	\$1,235,191	\$1,360,512	\$1,346,142	\$1,354,420	\$1,358,442
Total OTO	\$0	\$0	\$0	\$0	\$0

Program Discussion -

FY 2022 Appropriation Compared to FY 2022 Actual Expenditures

In FY 2022, the Director’s Office expended approximately 90.8%, of their \$1.4 million HB 2 modified budget. There were lower expenditures for grants in the Montana Council on Developmental Disabilities program. The division also did not expend any of their FY 2022 operating expense authority to establish a Coal Ash Markets Investigation Program as legislatively approved in HB 648. Authority to implement HB 648 is a biennial appropriation that the agency anticipates expending in FY 2023.

FY 2022 Appropriations Compared to FY 2023 Appropriations

The FY 2022 appropriation authority is approximately \$14,000 greater than FY 2023’s appropriation authority. This is due to a slightly higher operating expense budget for management services in the Director’s Office.

Executive Request

The Director’s Office is requesting a general fund increase of approximately \$8,000 in FY 2024 and \$12,000 in FY 2025 above the FY 2023 base appropriations. This increase is primarily driven by statewide present law adjustments for fixed costs and inflation. Other increases include funding for administrative costs including non-state building rent, support services, and additional software licenses, as well as for a new fixed cost for the new Chief Data Office in the Department of Administration. The executive is requesting a general fund decrease in present law adjustments for personal services.

LFD ISSUE	<p>House Bill 648</p> <p>The 2021 Legislature passed HB 648 which requires the Department of Commerce to establish a Coal Ash Markets Investigation Program to determine economically viable markets to reuse coal ash. Funding for this bill was not included in the base budgets in FY 2023. As such, there is no funding to implement this bill in the 2025 biennium. Due to the ongoing nature of this bill, the legislature may wish to consider establishing authority for the 2025 biennium.</p>
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Program Personal Services Narrative

The Director’s Office has 4.85 HB 2 funded FTE and 19.50 proprietarily funded FTE. At the end of FY 2021, the division had no vacancies in their HB 2 funded FTE, nor any employee turnover during FY 2022.

Personal services were \$483,000 or 35.9% of the total FY 2023 appropriations. The executive proposes a present law adjustment decrease of approximately \$10,000 in FY 2024 and \$6,000 in FY 2025. The Director’s Office did not issue pay increases during the 2023 biennium. However, they did receive an increase in personal services authority of approximately \$22,000 due to the Governor’s Office transferring funding and administrative duties for the MT Ambassador’s program to the Director’s Office. No FTE were transferred with this funding nor was the amount used to issue pay adjustments therefore, a portion of this funding is reverted in the 2025 biennium.

Funding

The following table shows proposed agency funding for all sources of authority.

Department of Commerce, 81-Directors Office Funding by Source of Authority							
Funds	HB2 Ongoing	HB2 OTO	Non-Budgeted Proprietary	Statutory Appropriation	Total All Sources	% Total All Funds	
01100 General Fund	1,494,912	0	0	0	1,494,912	18.55 %	
02444 Census Voting District Project	17,950	0	0	0	17,950	100.00 %	
State Special Total	\$17,950	\$0	\$0	\$0	\$17,950	0.22 %	
03441 MCDD	1,200,000	0	0	0	1,200,000	100.00 %	
Federal Special Total	\$1,200,000	\$0	\$0	\$0	\$1,200,000	14.89 %	
06542 Commerce Centralized Services	0	0	5,344,260	0	5,344,260	100.00 %	
Proprietary Total	\$0	\$0	\$5,344,260	\$0	\$5,344,260	66.33 %	
Total All Funds	\$2,712,862	\$0	\$5,344,260	\$0	\$8,057,122		

General Fund

During the 2023 biennium, the Department of Commerce underwent a reorganization which transferred the Bureau of Research and Information to the Director’s Office. This transferred 4.85 FTE and associated general fund authority.

State Special Revenue

The reorganization also transferred authority for the census voting district project state special fund to the Director’s Office. This is a small state special authority used as a holdover account for the state library grant.

LFD COMMENT	The Department of Commerce received two iterations of the state library grant but has not received one for several years. The Legislature may wish to remove this funding.
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Federal Special Revenue

The Montana Council on Developmental Disabilities is funded entirely with federal special revenues that pay for the contract for the nonprofit that carries out the responsibilities of the Developmental Disabilities Planning and Advisory Council.

Non-Budgeted Proprietary Funding

The Director’s Office is funded by an internal service type proprietary fund from indirect costs charged to programs in the Department of Commerce. This fund will be discussed in further detail in the Proprietary Rates section below.

Program Budget Summary by Category

The following table summarizes the total budget by base, present law adjustments, and new proposals. For a description of these categories, please see the glossary.

Budget Item	-----General Fund-----				-----Total Funds-----			
	Budget Fiscal 2024	Budget Fiscal 2025	Biennium Fiscal 24-25	Percent of Budget	Budget Fiscal 2024	Budget Fiscal 2025	Biennium Fiscal 24-25	Percent of Budget
2023 Base Budget	737,167	737,167	1,474,334	98.62 %	1,346,142	1,346,142	2,692,284	99.24 %
SWPL Adjustments	693	4,211	4,904	0.33 %	693	4,211	4,904	0.18 %
PL Adjustments	7,348	7,852	15,200	1.02 %	7,348	7,852	15,200	0.56 %
New Proposals	237	237	474	0.03 %	237	237	474	0.02 %
Total Budget	\$745,445	\$749,467	\$1,494,912		\$1,354,420	\$1,358,442	\$2,712,862	

Present Law Adjustments

The "Present Law" Adjustments table shows the changes from the base appropriation to the proposed budget. "Statewide Present Law" adjustments (DP 1, DP 2, DP 3) are standard categories of adjustments made to all agencies. Decisions on these items were applied globally to all agencies.

Present Law Adjustments	-----Fiscal 2024-----					-----Fiscal 2025-----				
	FTE	General Fund	State Special	Federal Special	Total Funds	FTE	General Fund	State Special	Federal Special	Total Funds
DP 1 - Personal Services	0.00	(10,145)	0	0	(10,145)	0.00	(6,465)	0	0	(6,465)
DP 2 - Fixed Costs	0.00	7,164	0	0	7,164	0.00	6,399	0	0	6,399
DP 3 - Inflation Deflation	0.00	3,674	0	0	3,674	0.00	4,277	0	0	4,277
DP 8106 - DO ADMINISTRATIVE COSTS ADJUSTMENTS	0.00	7,348	0	0	7,348	0.00	7,852	0	0	7,852
Grand Total All Present Law Adjustments	0.00	\$8,041	\$0	\$0	\$8,041	0.00	\$12,063	\$0	\$0	\$12,063

**Total Funds" amount includes funding from sources other than General Fund, State Special, or Federal Special (i.e. Proprietary).

DP 1 - Personal Services -

The executive requests adjustments to the present law personal services budget. This request has been broken into the following categories, and further detail is shown in the agency summary:

- Legislatively approved changes
- Management decisions
- Budget modifications made to the personal services budget in the 2023 biennium

DP 2 - Fixed Costs -

The executive requests adjustments to provide the funding required in the proposed budget for fixed costs assessed by other agencies within state government for the services they provide. Examples include: warrant writer, motor pool, information technology services, etc. The rates charged for these services are approved in the section of the budget that provides the services.

DP 3 - Inflation Deflation -

The executive requests adjustments to reflect budgetary changes generated from the application of inflation and deflation factors to specific expenditure accounts. Affected accounts include: other services, supplies and materials, communications, in-state motor pool and motor pool leased vehicles, and repair and maintenance.

DP 8106 - DO ADMINISTRATIVE COSTS ADJUSTMENTS -

The request includes adjustments for increased non-state building rent per the terms of the lease agreement, and indirect costs paid to the Director's Office for support services provided to supported divisions, bureaus, and programs. Additional adjustments are included for software licenses, and vehicle maintenance. This change package reflects a 0.26% change to the internal service rate.

New Proposals

The "New Proposals" table shows new proposals for spending.

	-----Fiscal 2024-----					-----Fiscal 2025-----				
	FTE	General Fund	State Special	Federal Special	Total Funds	FTE	General Fund	State Special	Federal Special	Total Funds
DP 99 - New Fixed Costs	0.00	237	0	0	237	0.00	237	0	0	237
Total	0.00	\$237	\$0	\$0	\$237	0.00	\$237	\$0	\$0	\$237

*"Total Funds" amount includes funding from sources other than General Fund, State Special, or Federal Special (i.e. Proprietary).

DP 99 - New Fixed Costs -

The executive requests appropriations for the agency to provide funding for a new fixed cost for the Chief Data Office. Additionally, the executive requests appropriations of \$616 for the agency to provide funding for a new fixed cost for the State Management Training Center. This appropriation is offset by a reduction to the existing training budget in the agency. The rates charged for this service are approved in the section of the budget that provides the services.

Other Issues -

Proprietary Rates

Commerce Centralized Services – Fund 06542

Proprietary Program Description

The Director’s Office provides overall leadership, communication, and management support to the Department of Commerce's 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 works closely with economic and community development organizations, businesses, communities, governmental entities, elected officials, and the public to diversify and expand the state’s economic base. The office also 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.

Services are provided by the Offices of Accounting and Budget, Legal Affairs, Human Resources, Information Technology, and Public Information.

Proprietary Program Revenues and Expenses

The following table shows the actual and projected expenditures and related revenues associated with this fund.

2025 Biennium Report on Internal Service and Enterprise Funds					
Fund	Fund Name	Agency #	Agency Name	Program Name	
06542	Commerce Centralized Services	65010	Dept. of Commerce	Director's Office	
		Actual	Estimated	Proposed	Proposed
		FY 22	FY 23	FY 24	FY 25
Operating Revenues					
Fees and Charges					
Charges For Services		1,981,566	2,234,291	2,160,978	2,172,476
Grants/Transfers/Misc.		656,314	388,076	372,131	373,729
Total Operating Revenues		2,637,880	2,622,367	2,533,109	2,546,205
Expenses					
Personal Services		1,971,828	2,152,831	2,230,389	2,240,174
Operating Expense		382,169	185,895	298,333	295,908
Debt Service		<u>32,174</u>	<u>139,728</u>	<u>139,728</u>	<u>139,728</u>
Total Operating Expenses		2,386,171	2,478,454	2,668,450	2,675,810
Operating Income (Loss)		251,709	143,913	(135,341)	(129,605)
Change in Net Position		251,709	143,913	(135,341)	(129,605)
Beginning Net Position - July 1		199,240	451,032	594,945	459,604
Prior Period Adjustments		83			
Change in Net Position		251,709	143,913	(135,341)	(129,605)
Ending Net Position - June 30		451,032	594,945	459,604	329,999

Expenses

Overall, the executive is proposing slight increases in personal services and operating expenses. These increases are primarily due to statewide present law adjustments for personal services and operating expenses.

Revenues

The Director's Office is funded by revenues from charges allocated to all divisions, bureaus, and programs supported by the division's indirect cost plan. Indirect costs are allocated to supported programs based upon federally calculated, and legislatively approved, indirect cost rates applied to actual personal services expenditures.

Proprietary Rates

Indirect costs for the Director's Office are allocated to supported programs via a federally calculated indirect cost plan for federally funded programs and a legislatively approved rate for state funded programs. Indirect cost rates are charged to supported programs based upon actual personal services expenditures.

The Director’s Office calculates a federal indirect cost rate on an annual basis. This rate is a fixed rate for federally funded programs, which is applied against actual federally funded personal services expenditures within the department.

The federally calculated rate requires that a carry-forward amount be built into the rate. This carry-forward amount represents the amount the Director’s Office 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.

Requested Rates for Internal Service or Enterprise Funds Fee/Rate Information				
	Actual FY 22	Estimated FY 23	Proposed FY 24	Proposed FY 25
Fee Description:	14.78%	14.78%	13.47%	13.47%

This program is funded with an internal service fund, which is a type of proprietary fund. As such, the legislature approves the maximum rate the program may charge during the biennium. They are not the rates the program must charge.

The executive proposes reduced rates for FY 2024 and FY 2025. The rates approved by the legislature are the maximum the program may charge during the biennium. They are not the rates the program must charge.

Due to the proposed rate change, the following table shows the estimated change in cost to each division using the Department of Commerce's centralized services.

Director's Office		
Estimated Change in Cost for Commerce Centralized Services for All Funding Levels		
	FY 2024	FY 2025
51 Business MT	10,985	12,721
52 Brand MT	(13,290)	(11,095)
60 Community MT	35,469	36,984
71 Facility Finance Authority	11,266	11,531
74 Housing MT	(11,342)	(7,613)
75 Board of Investments	(78,922)	(75,646)
78 Board of Horse Racing	(239)	(228)
80 Montana Heritage Commission	18,533	19,007
81 Director's Office Research Information Services	6,145	6,669
Total	(21,395)	(7,670)

The Director's Office calculates total centralized service costs by applying the rate to the divisions total personal services budget. Division's that show an increase in centralized service costs are due to greater personal service costs.