

Agency 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.

Agency Biennium Comparison				
Budget Item	Appropriated Budget 22-23	Requested Budget 24-25	Biennium Change	Biennium % Change
Personal Services	9,832,575	9,885,530	52,955	0.54 %
Operating Expenses	13,080,905	15,001,093	1,920,188	14.68 %
Equipment & Intangible Assets	400,000	300,000	(100,000)	(25.00)%
Capital Outlay	500,000	600,000	100,000	20.00 %
Local Assistance	92,000	92,000	0	0.00 %
Grants	46,437,080	43,834,008	(2,603,072)	(5.61)%
Transfers	482,248	2,248	(480,000)	(99.53)%
Debt Service	618,264	587,064	(31,200)	(5.05)%
Total Expenditures	\$71,443,072	\$70,301,943	(\$1,141,129)	(1.60)%
General Fund	9,227,017	10,602,409	1,375,392	14.91 %
State/Other Special Rev. Funds	20,323,670	20,166,888	(156,782)	(0.77)%
Federal Spec. Rev. Funds	41,892,385	39,532,646	(2,359,739)	(5.63)%
Total Funds	\$71,443,072	\$70,301,943	(\$1,141,129)	(1.60)%
Total Ongoing	\$68,563,989	\$70,301,943	\$1,737,954	2.53 %
Total OTO	\$2,879,083	\$0	(\$2,879,083)	(100.00)%

Mission Statement

The Department of Commerce delivers programs and resources through technical assistance, funding/training/consulting, promotion, research, reporting, and outreach to provide affordable housing, and to create sustainable business and growth to enhance community vitality to benefit the citizens of Montana.

Please refer to the agency profile at <https://leg.mt.gov/lfid/appropriation-subcommittee-section-a/agency-department-commerce/> for additional information about the agency's organization structure, historical expenditures, goals and objectives, as well as recent studies and audits.

Agency Highlights

<p>Department of Commerce Major Budget Highlights</p>
<ul style="list-style-type: none"> • The Department of Commerce's requested 2025 biennium budget is approximately \$1.7 million or 2.5% greater than the ongoing 2023 biennium budget • The executive proposal includes: <ul style="list-style-type: none"> ◦ A \$2.6 million biennial federal special revenue reduction for anticipated housing grants ◦ General fund increases include: <ul style="list-style-type: none"> ▪ \$1.8 million biennial increase for the Indian Country Economic Development Program ▪ \$500,000 biennial increase for the Montana Manufacturing Extension Center ▪ \$756,000 biennial increase for 2.00 FTE and additional consulting services in the Community Technical Assistance Program ◦ State special revenue increases also include: <ul style="list-style-type: none"> ▪ \$214,000 biennial increase for 1.00 FTE in the Historic Preservation Program ▪ \$200,000 biennial increase to reestablish funding for the Made-In-Montana Program
<p>Legislative Action Items</p>
<ul style="list-style-type: none"> • Consider reestablishment of funding for HB 648 for the Coal Ash Markets Investigation Program

Agency 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.

Agency Actuals and Budget Comparison					
Budget Item	Actuals Fiscal 2022	Approp. Fiscal 2022	Approp. Fiscal 2023	Request Fiscal 2024	Request Fiscal 2025
FTE	0.00	54.05	54.05	58.05	58.05
Personal Services	4,120,282	4,861,675	4,970,900	4,928,961	4,956,569
Operating Expenses	4,596,640	6,623,850	6,457,055	7,531,313	7,469,780
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
Local Assistance	0	46,000	46,000	46,000	46,000
Grants	18,190,210	23,219,503	23,217,577	21,917,004	21,917,004
Transfers	240,000	241,124	241,124	1,124	1,124
Debt Service	275,468	309,132	309,132	293,532	293,532
Total Expenditures	\$27,622,100	\$35,751,284	\$35,691,788	\$35,167,934	\$35,134,009
General Fund	4,517,730	4,586,857	4,640,160	5,298,450	5,303,959
State/Other Special Rev. Funds	7,105,587	10,216,599	10,107,071	10,100,020	10,066,868
Federal Spec. Rev. Funds	15,998,783	20,947,828	20,944,557	19,769,464	19,763,182
Total Funds	\$27,622,100	\$35,751,284	\$35,691,788	\$35,167,934	\$35,134,009
Total Ongoing	\$26,239,016	\$34,312,415	\$34,251,574	\$35,167,934	\$35,134,009
Total OTO	\$1,383,084	\$1,438,869	\$1,440,214	\$0	\$0

Agency Discussion

FY 2022 Appropriation Compared to FY 2022 Actual Expenditures

The Department of Commerce's HB 2 modified budget of \$35.8 million was approximately 77.3% expended in FY 2022. This left approximately \$8.1 million in unspent budget authority in FY 2022. Lower expenditures are primarily due to the high number of multi-year projects which result in lower operating expenses and grant expenditures. Other reasons for reduced expenditures are due to delays in grant distribution, vacant positions, and reduced travel and supplies related to less in-person meetings. Additional detail will be provided in the division specific sections of this report.

FY 2022 Appropriations Compared to FY 2023 Appropriations

FY 2023 appropriation authority is approximately \$59,000 or 0.2% less than the FY 2022 appropriation authority. Differences between FY 2022 and FY 2023 appropriations are primarily due to program transfers and operating plan transfers, which are detailed in the various division's sections of this report.

Comparison of FY 2023 Legislative Budget to FY 2023 Base

The figure below illustrates the beginning FY 2023 budget as adopted by the 2021 Legislature compared to the FY 2023 base budget, which includes modifications as approved by the approving authority (as authorized in statute) during the interim. The FY 2023 base budget was agreed upon by the executive and legislative branches to be the point from which any changes would be recorded for the 2023 biennium budgeting process.

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%

Executive modifications, per statutory authority, to the legislative budget include various operating plan transfers, program transfers and reorganizations. Reorganizations include the following:

- Transferring the Research and Information Bureau from the Business MT Division to the Director's Office. This included 5.00 FTE and a transfer of \$461,000 in personal services funding and \$260,000 in operating costs.
- Creation of the Brand MT Division by transferring tourism and promotion operations out of the Business MT Division for more focused leadership and strategizing. This transferred \$285,000 in HB 2 operating costs and various statutory authority
- Transfer of the HOME Grant and Housing Trust Fund programs from Community MT to Housing MT to better align programs with division functions. This included 6.00 FTE and a transfer of \$365,000 in personal services, \$289,000 in operating, and \$10.6 million in grants HB 2 funding

Operating plan transfers include:

- Operating expense transfers to debt service to correctly record office space lease expenses due to changes in accounting requirements from the Governmental Accounting Standards Board (GASB) Statement No. 87
- Operating expenses transferred to capital outlay and equipment and intangible asset expenditure categories to allow the Montana Heritage Commission to purchase a new tour train in Virginia and Nevada Cities

These modifications led to an overall net change of 0.0% from the Department of Commerce's legislative budget to their proposed executive budget.

Executive Request

The executive proposes an increase above the FY 2023 ongoing base of approximately \$916,000 in FY 2024 and \$882,000 in FY 2025. These increases are primarily in general fund for new proposals.

These requests will be discussed in further detail at the program level.

5.0% Plan

Statute requires that agencies submit plans to reduce general fund and certain state special revenue funds by 5.0%. A summary of the entire 2025 biennium 5.0% plan, submitted by the agency, is in the budget analysis appendix. The 5.0% plan includes reductions in the following:

- Business MT Division of approximately \$121,000 in general fund for a reduction in non-restricted and non-matched annual HB 2 support for business development activities
- Community MT Division of approximately \$45,000 in general fund by reducing funds available for community technical assistance activities
- Brand MT Division of approximately \$181,000 in state special revenue by reducing funds from private organizations for cooperative marketing efforts

Right to Know Requests

In FY 2022, the department spent roughly 80 hours of time and approximately \$2,500 filling right to know requests. In FY 2021, the department collected \$840 in revenue from right to know requests. However, no revenue has been collected for FY 2022.

Agency Goals and Objectives

Statute requires that agencies submit a statement of the agency mission and a statement of goals and objectives for each program of the agency. The goals and objectives are required to be concise, specific, quantifiable, and measurable. Goals and objectives, submitted by the agency, are included in the agency profile webpage.

Agency Personal Services

In order to explain the factors influencing personal services changes, the proposed statewide personal services present law adjustment (DP 1) has been broken down into three categories, as follows:

- Legislatively approved changes – This category includes adjustments explicitly approved by the legislature, such as expected changes to annualize personal services costs included in the FY 2023 statewide pay plan adjustments, changes to benefit rates, increases in pay approved by the legislature, longevity adjustments required by statute, and changes in rates for workers' compensation and unemployment insurance
- Management decisions – This category includes agency management decisions that adjust personal services related to changes in pay. This includes changes such as hiring full time equivalent (FTE) at a lower rate to replace senior staff and broadband pay adjustments for recruitment and retention
- Budget modifications – This category includes other modifications to the FY 2023 personal services base budget such as management decisions to transfer personal services funding between programs within an agency or transfers to move personal funding to or from other expenditure category (e.g. moving funding from operating expenses to personal services)

The figure below shows the analysis of the executive budget for personal services for each program.

Statewide Present Law Adjustment for Personal Services FY 2024 Decision Package 1				
Program	Legislative Changes	Management Decisions	Budget Modifications	Decision Package 1
51 Business MT	(339,495)	12,251		(327,244)
60 Community Development Division	31,597	47,073		78,670
74 Housing Division	15,014	13,554		28,568
78 Board of Horse Racing	105,149	(19,786)		85,363
80 Montana Heritage Commission		158,170		158,170
81 Director's Office	4,908	6,947	(22,000)	(10,145)
Grand Total	(182,827)	218,209	(22,000)	13,382

Personal services were \$5.0 million or 13.9% of total FY 2023 appropriations. During the 2023 biennium the Department of Commerce issued pay increases including retention, reclassification, and market adjustments, primarily to address employee turnover. During FY 2022, the Department of Commerce had ten employees leave state employment, two retire, and one transfer to a different state agency. On July 13, 2022 (date of snapshot), the Department of Commerce had 16.25 FTE vacant out of their 54.05 HB 2 FTE. A more detailed discussion of each programs' personal services will be provided in the following sections.

Funding

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

Total Department of Commerce Funding by Source of Authority 2025 Biennium Budget Request - Department of Commerce						
Funds	HB2 Ongoing	HB2 OTO	Non-Budgeted Proprietary	Statutory Appropriation	Total All Sources	% Total All Funds
General Fund	10,602,409	0	0	3,600,000	14,202,409	4.22 %
State Special Total	20,166,888	0	0	105,061,120	125,228,008	37.24 %
Federal Special Total	39,532,646	0	0	2,097,763	41,630,409	12.38 %
Proprietary Total	0	0	154,011,036	1,200,000	155,211,036	46.16 %
Other Total	0	0	0	0	0	0.00 %
Total All Funds	\$70,301,943	\$0	\$154,011,036	\$111,958,883	\$336,271,862	
Percent - Total All Sources	20.91 %	0.00 %	45.80 %	33.29 %		

Over 75.0% of the overall funding in the Department of Commerce is not budgeted through HB 2, but provided as either non-budgeted proprietary funding or as statutory appropriations. HB 2 appropriations of general fund, state special revenue, and federal special revenues comprise the remaining funding for the Department of Commerce and will be discussed in further detail at the program level.

Statutory appropriations are explained in further detail within each program receiving and spending those funds.

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	3,477,125	3,477,125	6,954,250	65.59 %	34,251,574	34,251,574	68,503,148	97.44 %
SWPL Adjustments	197,387	208,370	405,757	3.83 %	313,178	287,297	600,475	0.85 %
PL Adjustments	116,335	118,110	234,445	2.21 %	(1,013,893)	(1,011,581)	(2,025,474)	(2.88)%
New Proposals	1,507,603	1,500,354	3,007,957	28.37 %	1,617,075	1,606,719	3,223,794	4.59 %
Total Budget	\$5,298,450	\$5,303,959	\$10,602,409		\$35,167,934	\$35,134,009	\$70,301,943	

HB 2 Language -

The Department of Commerce does not have any language appropriation requests.

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	3,443,414	2,691,363	(752,051)	(21.84)%
Operating Expenses	4,942,409	5,814,676	872,267	17.65%
Local Assistance	92,000	92,000	0	0.00%
Grants	3,421,576	3,429,650	8,074	0.24%
Transfers	482,248	2,248	(480,000)	(99.53)%
Debt Service	246,378	226,978	(19,400)	(7.87)%
Total Expenditures	\$12,628,025	\$12,256,915	(\$371,110)	(2.94)%
General Fund	5,845,747	6,084,130	238,383	4.08%
State/Other Special Rev. Funds	5,063,878	4,452,534	(611,344)	(12.07)%
Federal Spec. Rev. Funds	1,718,400	1,720,251	1,851	0.11%
Total Funds	\$12,628,025	\$12,256,915	(\$371,110)	(2.94)%
Total Ongoing	\$10,138,306	\$12,256,915	\$2,118,609	20.90%
Total OTO	\$2,489,719	\$0	(\$2,489,719)	(100.00)%

Program Description

The mission of the Business MT Division is to facilitate a business environment that strengthens the economy, supports business growth and shared community prosperity, aids in job creation and retention, supports existing companies, and strengthens communities. Business MT’s programs aim to support businesses through trainings and counseling, technical assistance, access to grants and loans, and to foster new markets and business opportunities domestically and internationally. Through dynamic partnerships and innovative collaborations with companies, universities, tribes, not-for-profit organizations, and government leaders, and the use of proactive incentives and communication, we are building an economic environment that supports business growth and shared community prosperity.

The division is funded by House Bill 2 and statutory appropriations. The programs work collaboratively with several state and local partnerships to promote economic development:

- Business Assistance (Business Loans and Grants)
- Export and International Trade
- Indian Country Economic Development
- Small Business Development Centers
- Regional Economic Development
- Montana Manufacturing Centers

Program Highlights

Business MT Division Major Budget Highlights
<ul style="list-style-type: none"> • The Business MT Division’s 2025 biennium requested appropriations are approximately \$2.1 million or 20.9% greater than the ongoing appropriations in the 2023 biennium • The executive proposal includes: <ul style="list-style-type: none"> ◦ A \$875,000 general fund increase and 1.00 FTE each fiscal year to reestablish the Indian Country Economic Development Program, from OTO in previous biennia to an ongoing program beginning in the 2025 biennium ◦ A \$250,000 general fund increase each fiscal year for the Montana Manufacturing Extension Center ◦ A \$100,000 state special revenue increase each fiscal year to reestablish funding for the Made-In-Montana 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	14.50	14.50	15.50	15.50
Personal Services	1,314,329	1,691,488	1,751,926	1,341,612	1,349,751
Operating Expenses	2,060,016	2,498,251	2,444,158	2,908,549	2,906,127
Local Assistance	0	46,000	46,000	46,000	46,000
Grants	1,023,625	1,711,751	1,709,825	1,714,825	1,714,825
Transfers	240,000	241,124	241,124	1,124	1,124
Debt Service	98,633	123,189	123,189	113,489	113,489
Total Expenditures	\$4,736,603	\$6,311,803	\$6,316,222	\$6,125,599	\$6,131,316
General Fund	2,886,651	2,898,203	2,947,544	3,039,111	3,045,019
State/Other Special Rev. Funds	1,112,472	2,553,155	2,510,723	2,226,015	2,226,519
Federal Spec. Rev. Funds	737,480	860,445	857,955	860,473	859,778
Total Funds	\$4,736,603	\$6,311,803	\$6,316,222	\$6,125,599	\$6,131,316
Total Ongoing	\$3,510,304	\$5,067,412	\$5,070,894	\$6,125,599	\$6,131,316
Total OTO	\$1,226,299	\$1,244,391	\$1,245,328	\$0	\$0

Program Discussion -

FY 2022 Appropriation Compared to FY 2022 Actual Expenditures

The Business MT Division expended 75.0% of their \$6.3 million HB 2 modified budget in FY 2022. Personal services were 77.7% expended, operating expenses were 82.5% expended, and grants were 59.8% expended. In FY 2022, the division had four employees leave state employment and one retiree leading to realized vacancy savings and lower personal service expenditures. Additionally, lower expenditures for grants were primarily attributed to a delay in grant distributions for the Big Sky Trust Fund. Lower expenditures for operating expenses are primarily due to decreased travel, supplies, and materials related to in-person trainings or meetings.

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 is requesting an increase of approximately \$1.1 million in FY 2024 and \$1.1 million in FY 2025 above the FY 2023 ongoing base appropriations. This increase is primarily due to a general fund increase for the Indian Country Economic Development (ICED) Program. This program has been requested with one-time-only funding in previous biennia and the executive's request is for this program to be made ongoing. Other present law increases include statewide present law adjustments for fixed costs and inflation, as well as funding to reestablish HB 660 funding and funding for new administrative cost adjustments. HB 660 provided funding for the Made-In-Montana Program. Due to the ongoing nature of this program the executive requests to reestablish this state special revenue funding for the 2025 biennium.

In addition to the general fund increase for the ICED Program, new proposals include a general fund increase for the Montana Manufacturing Extension Center (MMEC). This increase will allow MMEC to fund two additional contracted field engineers to increase project capabilities. The executive also requests an increase for new fixed costs related to the Chief Data Office in the Department of Administration.

The executive requests a decrease in statewide present law adjustments that is discussed in further detail in the personal services narrative section of this narrative.

Program Personal Services Narrative

The Business MT Division has 14.50 HB 2 funded FTE. As of August 1, 2022, the agency had 2.00 FTE vacant. Additionally, the program did have employee turnover with four employees leaving state employment and one retiring.

Personal services accounted for \$1.8 million or 27.7% of the FY 2023 budget. The executive proposes a decrease of \$327,000 in FY 2024 and \$353,000 in FY 2025 in statewide present law adjustments for personal services funding. This decrease is driven by the agency hiring new positions at lower wage rates.

Funding

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

Department of Commerce, 51-Business 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	6,084,130	0	0	3,600,000	9,684,130	35.50 %
02090 Business Asst-Private	189,562	0	0	0	189,562	1.38 %
02100 Distressed Wood Products RLF	0	0	0	1,188,969	1,188,969	8.63 %
02116 Accommodation Tax Account	320,788	0	0	0	320,788	2.33 %
02210 Microbusiness Admin Acct	357,924	0	0	0	357,924	2.60 %
02212 Microbusiness Loan Acct	997,768	0	0	0	997,768	7.24 %
02229 MT SSBCI Servicing Fees	68,560	0	0	0	68,560	0.50 %
02771 Big Sky Economic Dev Program	586,134	0	0	8,135,741	8,721,875	63.31 %
02848 SBDC Private Revenue NonFed	10,000	0	0	0	10,000	0.07 %
02939 State-Tribal Economic Devel	380,380	0	0	0	380,380	2.76 %
02344 Primary Sector Training	1,191,418	0	0	0	1,191,418	8.65 %
02672 GAP Financing Program	350,000	0	0	0	350,000	2.54 %
State Special Total	\$4,452,534	\$0	\$0	\$9,324,710	\$13,777,244	50.50 %
03092 Distressed Woods Federal	0	0	0	2,097,763	2,097,763	54.94 %
03172 CARES Business Stabilization	0	0	0	0	0	0.00 %
03207 Small Business Dev. Centers	1,720,251	0	0	0	1,720,251	45.06 %
03331 OIT STEP	0	0	0	0	0	0.00 %
03584 SBDC CARES Act	0	0	0	0	0	0.00 %
03920 ARPA State Recovery Sec 602	0	0	0	0	0	0.00 %
Federal Special Total	\$1,720,251	\$0	\$0	\$2,097,763	\$3,818,014	14.00 %
Proprietary Total	\$0	\$0	\$0	\$0	\$0	0.00 %
Total All Funds	\$12,256,915	\$0	\$0	\$15,022,473	\$27,279,388	

HB 2 Authority

General Fund

HB 2 general fund authority accounts for 35.5% the Business MT Division’s total appropriation authority. This includes funding for the Certified Regional Development Corporations, Office of Trade and International Relations, Made in Montana Program, Small Business Development Centers (SBDC), and Small Business Innovation Research/Small Business Technology Transfer, Indian Country Economic Development, and Export Trade Promotion Programs. The executive is also requesting HB 2 funding for the Montana Manufacturing Extension Center, which currently only receives statutory authority.

State Special Revenue

State special revenue appropriations comprise 50.5% of total appropriation authority. These appropriations include authority for microbusiness loans, primary business sector training, the Big Sky Economic Development Program, and the State-Tribal Economic Development Program.

Federal Special Revenue

HB 2 federal special revenue is for small business development centers.

Statutory Appropriations

There are three statutorily appropriated funds in the Business MT Division. The Big Sky Economic Development Trust Fund Program is the largest statutory fund and is funded from interest earned on the coal severance tax trust fund to provide state funds to local communities to promote economic development and sustainability.

LFD COMMENT	Big Sky Economic Development Trust Fund
	The Big Sky Economic Development (BSED) trust fund is established by statute and requires 25.0% of the

coal severance tax available to the coal severance tax permanent trust be segregated into the BSED trust fund. The deposit of coal severance tax revenue to this fund terminates at the end of FY 2025. The income from the BSED trust is deposited into the BSED income fund within the trust and is available for transfer to the BSED state special revenue fund.

The purpose, as defined in statute, of the Big Sky Economic Development Program is to:

- Create good-paying jobs for Montana residents
- Promote long-term, stable economic growth in Montana
- Encourage local economic development organizations
- Create partnerships between the state, local governments, tribal governments, and local economic development organizations that are interested in pursuing these same economic development goals
- Retain or expand existing businesses
- Provide a better life for future generations through greater economic growth and prosperity in Montana
- Encourage workforce development, including workforce training and job creation, in high-poverty counties by providing targeted assistance

The BSED state special revenue account further defines the uses of the fund. Except for money used for administrative expenses:

- 75.0% must be allocated for distribution to local governments and tribal governments to be used for job creation efforts
- 25.0% must be allocated for distribution to certified regional development corporations, economic development organizations that are in a county that is not part of a certified regional development corporation, and tribal governments

Statutory appropriations for the Big Sky Economic Development Program will comprise all expenditures from the state special revenue fund. The figure below provides information on the fund balance for the three BSED funds.

Big Sky Economic Development Funds				
	Actual FY 2022	Budgeted FY 2023	Proposed 2024	FY Proposed 2025
Big Sky Economic Development Trust Fund - 09051				
Beginning Fund Balance	\$130,980,222	\$131,417,882	\$136,960,228	\$142,487,503
Revenues (Transfers In)**	437,660	11,054,551	11,054,551	9,517,373
Transfers Out	0	5,512,205	5,527,276	4,758,686
Ending Fund Balance	<u>\$131,417,882</u>	<u>\$136,960,228</u>	<u>\$142,487,503</u>	<u>\$147,246,190</u>
Big Sky Economic Development Trust Income Fund - 09052				
Beginning Fund Balance	\$8,457,332	\$8,086,267	\$8,273,316	\$8,957,469
Revenues (Transfers In)**	4,028,934	4,737,049	5,434,153	5,934,614
Transfers Out	(4,400,000)	(4,550,000)	(4,750,000)	(4,750,000)
Ending Fund Balance	<u>\$8,086,267</u>	<u>\$8,273,316</u>	<u>\$8,957,469</u>	<u>\$10,142,083</u>
Big Sky Economic Development Trust Fund - 02771				
Beginning Fund Balance	(\$6,390,196)	(\$2,575,460)	(\$2,550,604)	(\$2,162,077)
Revenues	4,861,505	4,550,000	4,750,000	4,750,000
Expenditures				
Personal Services	438,406	594,742	253,134	254,834
Operating Expenses	288,034	281,731	459,668	456,897
Equipment & Intangible Assets	461,505	0	0	
Grants	645,193	3,619,039	3,619,039	3,619,039
Debt Services	30,240	29,632	29,632	29,632
Total Expenditures	<u>1,863,378</u>	<u>4,525,144</u>	<u>4,361,473</u>	<u>4,360,402</u>
Other Adjustments	816,609	0	0	0
Ending Fund Balance	<u>(\$2,575,460)</u>	<u>(\$2,550,604)</u>	<u>(\$2,162,077)</u>	<u>(\$1,772,479)</u>
* FY 2022 statutory appropriation grants are estimated using historical data				
**Updated with preliminary revenue estimate as of November 2022 (excludes unrealized investment gains and losses)				

The big sky economic development trust fund state special revenue account - 02771 shows ending negative fund balances of approximately \$2.2 million and \$1.8 million in FY 2024 and 2025, respectively, in the figure above. This is primarily due to expenditures being accrued but funding for grants not being disbursed until grantees fulfill requirements for reimbursement. Grant funding from the big sky economic development trust income fund 09052 will be disbursed as recipients fulfil grant requirements.

General fund statutory authority is from the coal severance tax distributions codified in 15-35-108, MCA. Authority is distributed each fiscal year as follows:

- \$325,000 for the Small Business Development Center
- \$50,000 for the Small Business Innovative Research Program

- \$625,000 for Certified Regional Development Corporations
- \$500,000 for the Montana Manufacturing Extension Center at Montana State University Bozeman
- \$300,000 for export trade enhancement

The Distressed Wood Products Industry Revolving Loan Program (90-1-504, MCA) was created in 2009 by the Montana Legislature in response to the low demand for wood products. This program is a state and federally funded revolving loan program that provides financial assistance to create or retain jobs for wood products industry businesses.

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	1,784,509	1,784,509	3,569,018	58.66 %	5,070,894	5,070,894	10,141,788	82.74 %
SWPL Adjustments	86,269	91,362	177,631	2.92 %	(261,679)	(256,390)	(518,069)	(4.23)%
PL Adjustments	42,860	43,675	86,535	1.42 %	190,359	190,787	381,146	3.11 %
New Proposals	1,125,473	1,125,473	2,250,946	37.00 %	1,126,025	1,126,025	2,252,050	18.37 %
Total Budget	\$3,039,111	\$3,045,019	\$6,084,130		\$6,125,599	\$6,131,316	\$12,256,915	

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	30,490	(353,167)	(4,566)	(327,243)	0.00	36,934	(352,501)	(3,605)	(319,172)
DP 2 - Fixed Costs	0.00	16,782	1,276	5,055	23,113	0.00	11,693	799	3,078	15,570
DP 3 - Inflation Deflation	0.00	38,997	2,772	682	42,451	0.00	42,735	3,599	878	47,212
DP 5109 - BUSMT ADMINISTRATIVE COSTS ADJUSTMENT	0.00	42,860	46,152	1,347	90,359	0.00	43,675	45,640	1,472	90,787
DP 5110 - BUSMT Re-establish Made in Montana Appropriation (BIEN)	0.00	0	100,000	0	100,000	0.00	0	100,000	0	100,000
Grand Total All Present Law Adjustments	0.00	\$129,129	(\$202,967)	\$2,518	(\$71,320)	0.00	\$135,037	(\$202,463)	\$1,823	(\$65,603)

**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 5109 - BUSMT ADMINISTRATIVE COSTS ADJUSTMENT -

The executive requests administrative adjustments for non-state rent increases per the terms of the negotiated lease; travel costs due to the increased costs of fuel, lodging, etc.; anticipated private funds to be received as a result of more public/private partnerships; and indirect costs paid to the Director's Office for support services provided to supported divisions, bureaus, and programs.

DP 5110 - BUSMT Re-establish Made in Montana Appropriation (BIEN) -

The executive requests to re-establish the biennial appropriation for \$200,000 for the Made-in-Montana program as intended in HB 660 that was passed in the 67th Legislature.

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	473	552	0	1,025	0.00	473	552	0	1,025
DP 5104 - BUSMT INDIAN COUNTRY ECONOMIC DEVELOPMENT HB2	1.00	875,000	0	0	875,000	1.00	875,000	0	0	875,000
DP 5107 - BUSMT INCREASE MMEC FUNDING HB2	0.00	250,000	0	0	250,000	0.00	250,000	0	0	250,000
Total	1.00	\$1,125,473	\$552	\$0	\$1,126,025	1.00	\$1,125,473	\$552	\$0	\$1,126,025

*"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 \$1,496 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.

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.

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.

Program Actuals and Budget Comparison					
Budget Item	Actuals Fiscal 2022	Approp. Fiscal 2022	Approp. Fiscal 2023	Request Fiscal 2024	Request Fiscal 2025
Operating Expenses	90,839	358,486	285,000	348,530	297,355
Total Expenditures	\$90,839	\$358,486	\$285,000	\$348,530	\$297,355
State/Other Special Rev. Funds	90,839	358,486	285,000	348,530	297,355
Total Funds	\$90,839	\$358,486	\$285,000	\$348,530	\$297,355
Total Ongoing	\$90,839	\$358,486	\$285,000	\$348,530	\$297,355
Total OTO	\$0	\$0	\$0	\$0	\$0

Program Discussion -

FY 2022 Appropriation Compared to FY 2022 Actual Expenditures

In FY 2022, Brand MT expended approximately \$91,000, or 25.3%, of their \$358,000 appropriation. The majority of the appropriation authority for FY 2022 was for the Governor’s Tourism Conference, which was budgeted for \$285,000. However, the agency only ended up expending \$67,000 for this conference. The remaining budget was for a biennial legislative audit, which the agency anticipates expending in FY 2023.

FY 2022 Appropriations Compared to FY 2023 Appropriations

The FY 2022 appropriation authority is approximately \$73,000 greater than FY 2023’s appropriation authority. This is due to the inclusion of the legislative audit authority in FY 2022, which was not included in FY 2023. However, this authority is a biennial appropriation.

Executive Request

The executive requests an increase of approximately \$64,000 in FY 2024 and \$12,000 in FY 2025 above the FY 2023 base budget. This state special revenue increase is due to statewide present law adjustments for fixed cost and inflation. Increased fixed cost in FY 2024 are due to projected audit fees. Other increases are due to inflationary costs.

Program Personal Services Narrative

Brand MT does not have any HB 2 funded FTE. Under statutory authority, they have 31.50 FTE. At the end of FY 2021 they had 5.25 FTE vacant, including a content specialist, digital asset coordinator, industry marketing coordinator, marketing program manager, public relations specialist, and a marketing and communications coordinator.

Funding

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

Department of Commerce, 52-Brand M T 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 %	
02116 Accommodation Tax Account	54,255	0	0	68,273,524	68,327,779	72.35 %	
02154 MT Promotion-Private	591,630	0	0	0	591,630	0.63 %	
02254 Regional Accommodation Tax	0	0	0	25,475,196	25,475,196	26.97 %	
02271 L&C Bicentennial Plate Fund	0	0	0	17,100	17,100	0.02 %	
02293 Film Credit Applications	0	0	0	31,854	31,854	0.03 %	
State Special Total	\$645,885	\$0	\$0	\$93,797,674	\$94,443,559	100.00 %	
03920 ARPA State Recovery Sec 602	0	0	0	0	0	0.00 %	
03466 ARPA EDA State Tourism	0	0	0	0	0	0.00 %	
Federal Special Total	\$0	\$0	\$0	\$0	\$0	0.00 %	
Proprietary Total	\$0	\$0	\$0	\$0	\$0	0.00 %	
Total All Funds	\$645,885	\$0	\$0	\$93,797,674	\$94,443,559		

HB 2 Authority

State Special Revenue

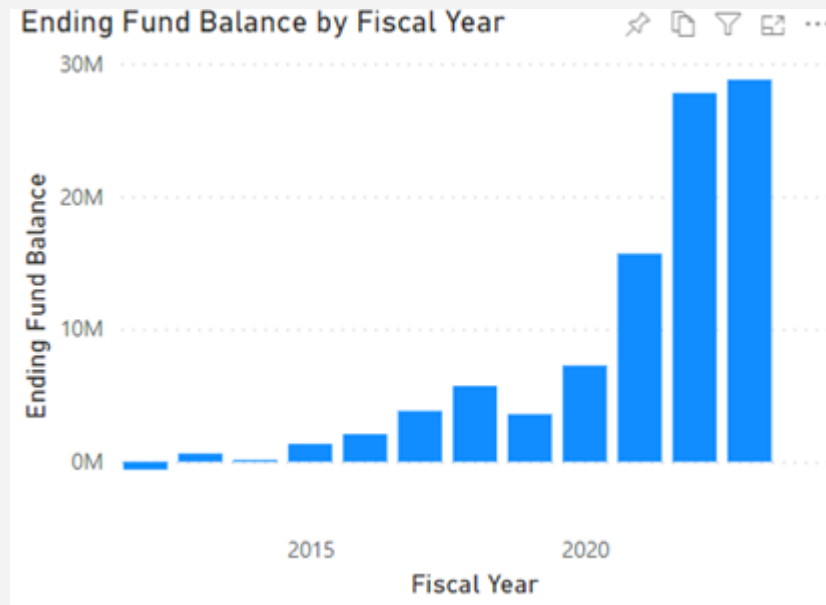
Brand MT’s HB 2 authority is funded by state special revenue from the accommodations tax account and primarily from proceeds from the Governor’s Tourism Conference. This funding accounts for less than 1.0% of the Brand MT’s total appropriation authority.

Statutory Appropriations

The majority of Brand MT’s funding comes from statutory appropriation authority. Statutory authority in this program includes funding from the lodging and facilities taxes used to support regional and state tourism and film promotion. Brand MT also includes funding for the Montana Economic Development Industry Advancement (MEDIA) Act and the Lewis and Clark bicentennial licenses plates.

The lodging facility use tax provides funds to the Department of Commerce through a 4.0% tax imposed on guests of hotels, motels, bed and breakfasts, resorts, campgrounds, and any other lodging sites. A portion of the tax proceeds go to the Department of Commerce for tourism promotion and promotion of the state as a location for film production as well as for regional tourism promotion.

LFD COMMENT	Lodging Facility Use Tax (02116) Fund Balance The lodging facility use tax account has been accruing a growing fund balance. The chart below shows the ending fund balance each fiscal year over the last 20 fiscal years.
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In FY 2020 the ending fund balance was \$7.2 million, this grew to \$15.7 million in FY 2021 and \$27.8 million in FY 2022. A greater fund balance was due in part to a much higher rate of revenue earnings during the pandemic due to changed consumer behavior. The Department of Commerce has begun research to determine if this increase in bed tax revenues is an anomaly or representative of a new normal. The Department of Commerce also received Coronavirus Aid, Relief, and Economic Security (CARES) Act funding that was allowed to be spent on tourism promotion. Therefore, the agency utilized CARES Act funding before expending lodging facility tax funds.

The Department of Commerce is aware of this fund balance and has begun research into analytical approaches toward spending. The current priority of the agency is investing in rural tourism development, tourism sustainability, new opportunities such as attracting business travel, and recovery for flood impacted areas.

The MEDIA Act film fee is a fee paid by production and post-production companies when they apply for certification with the Department of Commerce to claim the MEDIA Act transferable income tax credit. Therefore, expenditures are dependent on the revenue received from the total number of applications submitted. The use of these funds is to help pay for the implementation of the provisions of this act, including the presentation of a report on the economic impact of the tax credits created by an outside research organization called for by HB 293, enacted by the 2019 Legislature.

The Department of Commerce receives fees from Lewis & Clark bicentennial license plates sold through the Motor Vehicles Division at the Department of Justice. Three-fourths of the revenue from this source is placed in a state special revenue fund for the Department of Commerce for projects related to Lewis and Clark. The remaining one-fourth of revenue is placed in a state special revenue account for the Montana Historical Society.

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 %	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 %
02217 Historic Preservation Grants	0	0	0	0	0	0.00 %
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 %
03585 HTF	0	0	0	0	0	0.00 %
03920 ARPA State Recovery Sec 602	0	0	0	0	0	0.00 %
03340 CDBG-CV Awards	0	0	0	0	0	0.00 %
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.

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	955,449	955,449	1,910,898	63.20 %	13,744,200	13,744,200	27,488,400	94.47 %
SWPL Adjustments	110,425	112,797	223,222	7.38 %	166,880	171,482	338,362	1.16 %
PL Adjustments	66,127	66,583	132,710	4.39 %	148,659	150,107	298,766	1.03 %
New Proposals	381,893	374,644	756,537	25.02 %	490,576	480,220	970,796	3.34 %
Total Budget	\$1,513,894	\$1,509,473	\$3,023,367		\$14,550,315	\$14,546,009	\$29,096,324	

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.

	-----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	72,629	1,331	4,710	78,670	0.00	75,958	7,796	6,239	89,993
DP 2 - Fixed Costs	0.00	15,563	15,084	9,755	40,402	0.00	10,507	8,938	5,529	24,974
DP 3 - Inflation Deflation	0.00	22,233	13,752	11,823	47,808	0.00	26,332	17,248	12,935	56,515
DP 6003 - CMT ADMINISTRATIVE COSTS ADJUSTMENTS	0.00	66,127	61,488	21,044	148,659	0.00	66,583	62,358	21,166	150,107
Grand Total All Present Law Adjustments	0.00	\$176,552	\$91,655	\$47,332	\$315,539	0.00	\$179,380	\$96,340	\$45,869	\$321,589

**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 6003 - CMT ADMINISTRATIVE COSTS ADJUSTMENTS -

The executive requests administrative adjustments for non-state rent increases per the terms of the negotiated lease, and indirect costs paid to the Director's Office for support services provided to supported divisions, bureaus, and programs. Additional adjustments are for computer replacement costs, printing and publication costs, consulting services for planning and reporting required by the U.S. Department of Housing and Urban Development, consulting and professional services to contract engineering services due to high turnover and difficulty hiring staff engineers, and additional educational and training costs made necessary by higher-than-average turnover.

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	158	79	158	395	0.00	158	79	158	395
DP 6001 - CMT MONTANA HERITAGE PRESERVATION FTE HB2	1.00	0	108,446	0	108,446	1.00	0	105,339	0	105,339
DP 6002 - CMT EXPAND COMMUNITY TECHNICAL ASSISTANCE HB2	2.00	381,735	0	0	381,735	2.00	374,486	0	0	374,486
Total	3.00	\$381,893	\$108,525	\$158	\$490,576	3.00	\$374,644	\$105,418	\$158	\$480,220

**"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 \$440 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.

DP 6001 - CMT MONTANA HERITAGE PRESERVATION FTE HB2 -

The executive requests 1.00 FTE to manage the Montana Historic Preservation Grant (MHPG) Program, established in 22-3-1307, MCA. Since the 2019 Legislature passed SB 338, there has been high demand for program services. The FTE will deliver technical assistance to help applicants develop and implement successful projects and provide staff support to the legislature as they make decisions. Funding for this program was approved during the 2021 Legislative Session as one-time-only operating expenses to fund a modified FTE position. This change package requests the modified FTE become permanent along with the associated state special revenue funding. Personal service funding accounts for approximately \$85,000 in FY 2024 with the remainder being operating expenses.

DP 6002 - CMT EXPAND COMMUNITY TECHNICAL ASSISTANCE HB2 -

The executive requests 2.00 FTE and operating funds for consulting professional services for the Community Technical Assistance (CTAP) program. The program is charged with helping local governments plan for “orderly, productive, and coordinated development” with “particular attention to the planning and financing of public facilities and to the problems of metropolitan, suburban, and other areas in which economic and population factors are rapidly changing” (90-1-103, MCA). The staffing and funding would assist Montana communities with housing and infrastructure needs. The agency estimates that passage of this change package would result in assisting an estimated 28 communities.

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	677,240	712,677	35,437	5.23 %
Operating Expenses	452,513	509,407	56,894	12.57 %
Grants	300,000	300,000	0	0.00 %
Transfers	70,000	70,000	0	0.00 %
Debt Service	57,612	58,112	500	0.87 %
Total Expenditures	\$1,557,365	\$1,650,196	\$92,831	5.96 %
Proprietary Funds	1,557,365	1,650,196	92,831	5.96 %
Total Funds	\$1,557,365	\$1,650,196	\$92,831	5.96 %

Program Description

The mission of the Facility Finance Authority (FFA) is to enhance Montana healthcare and community capabilities through access to cost effective capital financing and development services.

The Facility Finance Authority was created by the 1983 Legislature to assist health care and related facilities contain future health care costs by offering debt financing at low-cost, tax-exempt interest rates for capital construction and improvements. The Legislature extended eligible facilities to include community pre-release centers and for-profit manufacturing facilities. Cost savings are shared with consumers in the form of lower fees. In 2021, the FFA was tasked to be the statewide administrator for the Commercial Property Assessed Capital Enhancement (C-PACE) Program which helps business owners secure low-cost private financing for energy and water efficiency as well as renewable energy projects.

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

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

Program Highlights

Facility Finance Authority Major Budget Highlights
<ul style="list-style-type: none"> • The Facility Finance Authority's 2025 biennium requested appropriations are approximately \$93,000 or 6.0% higher than the 2023 biennium • The executive proposal includes: <ul style="list-style-type: none"> ◦ Statewide present law increases for personal services, fixed costs, and inflation/deflation ◦ Proprietary funding increases for administrative cost adjustments ◦ New proprietary funding fixed costs related to 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	3.00	3.00	3.00	3.00
Personal Services	364,723	336,220	341,020	355,251	357,426
Operating Expenses	197,563	249,872	202,641	265,656	243,751
Grants	25,000	150,000	150,000	150,000	150,000
Transfers	0	35,000	35,000	35,000	35,000
Debt Service	28,101	28,556	29,056	29,056	29,056
Total Expenditures	\$615,387	\$799,648	\$757,717	\$834,963	\$815,233
Proprietary Funds	615,387	799,648	757,717	834,963	815,233
Total Funds	\$615,387	\$799,648	\$757,717	\$834,963	\$815,233

Program Discussion -

FY 2022 Appropriation Compared to FY 2022 Actual Expenditures

In FY 2022, the Montana Facility Finance Authority expended approximately \$615,000, or 77.0%, of their approximately \$800,000 appropriation. Lower expenditures are primarily due to lower expenditures for grants and transfers-out. Due to the COVID-19 pandemic, the program did not receive as many applications for loans as hospitals largely paused construction and renovation projects. Additionally, with the availability of COVID funding, very few hospitals needed additional funding. Personal services were over 100.0% expended in FY 2022 due to the implementation of the C-PACE program which required additional personal service costs.

FY 2022 Appropriations Compared to FY 2023 Appropriations

The FY 2022 appropriation authority is approximately \$42,000 greater than FY 2023’s appropriation authority. This is due to a biennial audit being fully allocated in FY 2022 and projected C-PACE expenditures being greater in FY 2022 to get the program up and running.

Executive Request

The executive is requesting an increase of approximately \$77,000 in FY 2024 and \$58,000 in FY 2025 above the 2023 base budget. 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, as well as new fixed costs for the Chief Data Office in the Department of Administration.

Program Personal Services Narrative

The Montana Facility Finance Authority does not have any HB 2 funded FTE. Under non-budgeted proprietary authority, they have 3.00 FTE, which were all filled at the end of FY 2022.

Funding

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

Department of Commerce, 71-Montana Facility Finance Authority 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 %	
State Special Total	\$0	\$0	\$0	\$0	\$0	0.00 %	
Federal Special Total	\$0	\$0	\$0	\$0	\$0	0.00 %	
06012 FFA Loan Program	0	0	0	0	0	0.00 %	
06015 Facilities Finance Authority	0	0	1,530,166	0	1,530,166	92.73 %	
06017 C-PACE Commercial Property Ass	0	0	120,030	0	120,030	7.27 %	
Proprietary Total	\$0	\$0	\$1,650,196	\$0	\$1,650,196	100.00 %	
Total All Funds	\$0	\$0	\$1,650,196	\$0	\$1,650,196		

Non-Budgeted Proprietary Appropriations

The Montana Facility Finance Authority is entirely supported through non-budgeted proprietary funds. These funds are discussed in the Proprietary Rates section of this narrative.

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 %	757,717	757,717	1,515,434	91.83 %
SWPL Adjustments	0	0	0	0.00 %	48,587	28,952	77,539	4.70 %
PL Adjustments	0	0	0	0.00 %	28,344	28,249	56,593	3.43 %
New Proposals	0	0	0	0.00 %	315	315	630	0.04 %
Total Budget	\$0	\$0	\$0		\$834,963	\$815,233	\$1,650,196	

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	0	0	14,231	0.00	0	0	0	16,406
DP 2 - Fixed Costs	0.00	0	0	0	27,622	0.00	0	0	0	4,404
DP 3 - Inflation Deflation	0.00	0	0	0	6,734	0.00	0	0	0	8,142
DP 7101 - FFA ADMINISTRATIVE COSTS ADJUSTMENTS	0.00	0	0	0	28,344	0.00	0	0	0	28,249
Grand Total All Present Law Adjustments	0.00	\$0	\$0	\$0	\$76,931	0.00	\$0	\$0	\$0	\$57,201

**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 7101 - FFA ADMINISTRATIVE COSTS ADJUSTMENTS -

The executive requests administrative adjustments for annual rent increases, additional software licenses, computer replacement, and increased costs for travel, as well as indirect costs paid to the Director's Office for support services provided to supported divisions, bureaus, and programs. There are reductions in contracted services as initial estimated consulting services will not be needed.

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	315	0.00	0	0	0	315
Total	0.00	\$0	\$0	\$0	\$315	0.00	\$0	\$0	\$0	\$315

*"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 \$352 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

Facility Finance Authority – 06015

FFA Loan Program – 06012

C-PACE Program – 06017

Proprietary Program Description

The Facility Finance Authority provides debt financing or refinancing to not-for-profit health care providers at low-cost, tax-exempt interest rates through various programs. The Authority has established reserve requirements for:

- Master Loan Program – The Authority provides qualified borrowers financing through tax exempt bond issuances. Loans can be used for eligible projects including equipment purchases, reimbursement of capital expenditures made during the current fiscal year (as approved by the bond counsel), new facility construction, renovation of existing facilities, and refunding or refinancing of outstanding debt
- Permanent Coal Tax Trust Loan Program – Statute allows the Authority to administer \$15.0 million of the permanent coal tax trust fund for capital projects. Individual loan amounts may not exceed 10.0% of the amount administered by the Authority
- Direct Loan Program – Statute allows the Authority to make direct loans to eligible facilities for eligible projects including construction and renovation, facility acquisition, refinancing of qualified outstanding debt, or purchase of equipment. Funding for the loans is derived from the revenues deposited in the Facility Finance Authority account that is transferred to the FFA Loan Program
- Working Capital Reserve – National bond rating agencies, national bond insurers, and institutional investors expect the Facility Finance Authority to maintain a working capital reserve of two years’ operating capital to assure that it can financially operate between legislative sessions

The 2021 Legislative Session authorized the Facility Finance Authority to administer the Commercial Property Assessed Capital Enhancements (C-PACE) Program. C-PACE provides financing to commercial building owners to make energy efficiency upgrades and renewable energy investments. This includes funding for solar panels, HVAC systems, lighting, and motors.

Department of Commerce Facility Finance Authority Reserve Requirements as of the Beginning of FY 2023		
	Required	Funded
Capital Reserve Account A (a)	11,583,840	2,345,088
Capital Reserve Account B (b)	4,905,556	4,905,556
Direct Loan Program (c)	1,265,668	1,194,255
Working Capital Fund (d)	1,710,612	1,710,612
Total	\$19,465,676	\$10,155,511
Percent Funded		52.2%
Policy Guidelines - Minimum Funding Requirements		
(a) Up to 10.0% of the outstanding BOI enhanced bond balance as of 7/1/2022		\$115,838,401
(b) \$4,905,556 as of 7/1/2021 plus YTD loan payments, account investment earnings		\$4,905,556
(c) 10.0% of the Trust Fund Loan Pool Balance as of 7/1/2022		\$12,656,678
(d) Twice the current fiscal year operating expense budget		\$855,306

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
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.

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	871,167	936,612	65,445	7.51 %
Operating Expenses	541,988	630,956	88,968	16.42 %
Grants	21,211,146	18,600,000	(2,611,146)	(12.31)%
Debt Service	45,326	45,326	0	0.00 %
Total Expenditures	\$22,669,627	\$20,212,894	(\$2,456,733)	(10.84)%
Federal Spec. Rev. Funds	22,669,627	20,212,894	(2,456,733)	(10.84)%
Total Funds	\$22,669,627	\$20,212,894	(\$2,456,733)	(10.84)%
Total Ongoing	\$22,669,627	\$20,212,894	(\$2,456,733)	(10.84)%
Total OTO	\$0	\$0	\$0	0.00 %

Program Description

The Department of Commerce Housing Division, conducting business and known in the community as Housing MT, provides support to communities through access to safe, affordable, and sustainable homes for Montanans whose housing needs are not met by the market.

Montana Housing is comprised of three component units:

- **Board of Housing**, Montana’s statewide Housing Finance Agency (HFA) created under the Montana [Housing Act of 1975](#), is [administratively attached](#) to the Department of Commerce. The Board of Housing is funded by enterprise funds with revenues derived from an administrative charge applied to projects and mortgages financed; the Board does not receive any general fund and is completely self-supporting
- **Rental Assistance Bureau**, Montana’s statewide Public Housing Authority (PHA), is charged with the administration of various federally funded U.S. Department of Housing and Urban Development (HUD) programs. All Rental Assistance Bureau programs are funded by enterprise funds with revenues derived under HUD administrative fees and performance-based contracts
- **Community Housing** administers HUD Community Planning and Development (CPD) programs for the production and preservation of affordable homes. Community Housing administers federal funds and state special revenue account programs appropriated via HB 2

Montana Housing responsibilities are mandated primarily in Title 2, Chapter 15, Part 18; Title 90, Chapter 1 Part 1; Title 90, Chapter 6, Parts 1, 5, 6; Governor Executive Orders 2-87 and 27-81; 24 CFR Parts 5, 91, 93, 245, 570, 792, 813, 882, 887, 891, 982 and 984.

Program Highlights

Housing MT Division Major Budget Highlights
<ul style="list-style-type: none"> • The Housing MT Division’s 2025 biennium requested appropriations are approximately \$2.5 million or 10.8% less than the 2023 biennium • The requested decrease in federal special revenue appropriation authority is due to a reduction in anticipated grant funding in the 2025 biennium for HOME Investment Partnership Program (HOME) and Housing Trust Fund (HTF) grants • The executive proposal also includes: <ul style="list-style-type: none"> ◦ Statewide present law adjustment increases in federal special revenue for personal services, fixed cost, and inflation/deflation ◦ An increase in federal special revenue for new fixed costs related to 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	6.00	6.00	6.00	6.00
Personal Services	309,108	432,188	438,979	467,547	469,065
Operating Expenses	98,265	275,593	266,395	318,299	312,657
Grants	7,150,684	10,605,573	10,605,573	9,300,000	9,300,000
Debt Service	21,874	22,663	22,663	22,663	22,663
Total Expenditures	\$7,579,931	\$11,336,017	\$11,333,610	\$10,108,509	\$10,104,385
Federal Spec. Rev. Funds	7,579,931	11,336,017	11,333,610	10,108,509	10,104,385
Total Funds	\$7,579,931	\$11,336,017	\$11,333,610	\$10,108,509	\$10,104,385
Total Ongoing	\$7,579,931	\$11,336,017	\$11,333,610	\$10,108,509	\$10,104,385
Total OTO	\$0	\$0	\$0	\$0	\$0

Program Discussion -

FY 2022 Appropriation Compared to FY 2022 Actual Expenditures

The Housing MT Division expended approximately 66.9% of their \$11.3 million HB 2 modified budget for FY 2022. The primary cause of lower expenditures is due to lower expenditures for grants which are typically for multi-year projects. Lower personal service expenditures are due to vacant positions in FY 2022.

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 is requesting a decrease of approximately \$1.2 million in FY 2024 and \$1.2 million in FY 2025 below the FY 2023 base appropriations. The Department of Commerce anticipates reduced grant funding in the 2025 biennium for HOME Investment Partnership Program (HOME) and Housing Trust Fund (HTF) grants. Based upon lower anticipated funding levels for these grant programs, the executive is requesting a federal special revenue reduction of approximately \$1.3 million each fiscal year.

Federal special revenue increases in the 2025 biennium are for statewide present law adjustments for personal services, fixed costs, and inflation/deflation. Additionally, the executive requests a federal special revenue increase for new fixed costs related to the new Chief Data Office in the Department of Administration.

Program Personal Services Narrative

The Housing MT Division has 6.00 permanent HB 2 FTE. At the end of the 2022 fiscal year the division had no vacancies. During FY 2022, the division had four employees leave state employment.

Personal services were \$439,000 or 3.9% of the total FY 2023 appropriations. The executive proposes a present law adjustment increase of approximately \$29,000 in FY 2024 and \$30,000 in FY 2025. During the 2023 biennium, the division issued pay increases for retention and position reclassification purposes.

Funding

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

Department of Commerce, 74-Housing M T 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	0.00 %
State Special Total	\$0	\$0	\$0	\$0	\$0	\$0	0.00 %
03300 Home Grants	10,739,926	0	0	0	10,739,926		53.13 %
03521 Section 811 Project Rental	0	0	0	0	0		0.00 %
03585 HTF	9,472,968	0	0	0	9,472,968		46.87 %
03265 Sec 8 Mainstream HCVP	0	0	0	0	0		0.00 %
03271 Section 8 HCV CARES ACT	0	0	0	0	0		0.00 %
03920 ARPA State Recovery Sec 602	0	0	0	0	0		0.00 %
03340 CDBG-CV Awards	0	0	0	0	0		0.00 %
03355 HEROS Act Rental Assistance Pr	0	0	0	0	0		0.00 %
03393 ARPA Housing Assistance Funds	0	0	0	0	0		0.00 %
03701 HCV Emergency Vouchers ARPA	0	0	0	0	0		0.00 %
03797 ARPA Rental Assistance Funds	0	0	0	0	0		0.00 %
03968 ARPA HOME Supplemental	0	0	0	0	0		0.00 %
Federal Special Total	\$20,212,894	\$0	\$0	\$0	\$20,212,894	\$20,212,894	13.40 %
06030 BOH Financial Program Fund	0	0	7,080,668	0	7,080,668		5.42 %
06031 Housing Trust Fund	0	0	20,000	0	20,000		0.02 %
06032 Mortgage Loan Servicing	0	0	4,383,649	0	4,383,649		3.36 %
06074 SEC 8 Project Based	0	0	56,193,698	0	56,193,698		43.02 %
06075 Section 8 Vouchers	0	0	7,786,061	0	7,786,061		5.96 %
06078 Housing Montana Fund	0	0	20,000	0	20,000		0.02 %
06079 Revolving Loan Fund - TANF	0	0	20,000	0	20,000		0.02 %
06085 Section 8 Mod Rehab	0	0	616,397	0	616,397		0.47 %
06037 Sect 8 Mod Rehab HAP	0	0	4,850,591	0	4,850,591		3.71 %
06054 Section 8 HAP	0	0	49,637,299	0	49,637,299		38.00 %
Proprietary Total	\$0	\$0	\$130,608,363	\$0	\$130,608,363	\$130,608,363	86.60 %
Total All Funds	\$20,212,894	\$0	\$130,608,363	\$0	\$150,821,257		

HB 2 Authority

Federal Special Revenue

Federal funds are for the HOME Investment Partnerships (HOME) and Housing Trust Fund (HTF) programs. The HOME program is a federal block grant for the construction and creation of affordable housing for low-income households. The HOME Program is administered by the Housing MT Division, who also administers funds to local governments and non-profits throughout the state. The HTF is an affordable housing production program. The Housing MT Division administers the HTF program and helps qualified recipients' direct funds for construction, rehabilitation, and preservation of affordable rental housing.

Non-Budgeted Proprietary

The majority of the Housing MT Division's funding is from proprietary funds. These funds are discussed in the Proprietary Rates section of the narrative.

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 %	11,333,610	11,333,610	22,667,220	112.14 %	
SWPL Adjustments	0	0	0	0.00 %	63,848	59,518	123,366	0.61 %	
PL Adjustments	0	0	0	0.00 %	(1,289,107)	(1,288,901)	(2,578,008)	(12.75)%	
New Proposals	0	0	0	0.00 %	158	158	316	0.00 %	
Total Budget	\$0	\$0	\$0		\$10,108,509	\$10,104,385	\$20,212,894		

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	0	28,568	28,568	0.00	0	0	30,086	30,086
DP 2 - Fixed Costs	0.00	0	0	22,392	22,392	0.00	0	0	13,703	13,703
DP 3 - Inflation Deflation	0.00	0	0	12,888	12,888	0.00	0	0	15,729	15,729
DP 7402 - HMT ADMINISTRATIVE COSTS ADJUSTMENTS	0.00	0	0	(1,289,107)	(1,289,107)	0.00	0	0	(1,288,901)	(1,288,901)
Grand Total All Present Law Adjustments	0.00	\$0	\$0	(\$1,225,259)	(\$1,225,259)	0.00	\$0	\$0	(\$1,229,383)	(\$1,229,383)

**"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 7402 - HMT ADMINISTRATIVE COSTS ADJUSTMENTS -

The executive requests adjustments for non-state rent increases per the terms of the negotiated lease, and indirect costs paid to the Director's Office for support services provided to supported divisions, bureaus, and programs. Additional adjustments are for increases in field agent contracts, additional training, and access to on-line resources due to higher than anticipated staff turnover, and projected increases in housing assistance payments based on HUD's fair market rents which historically increase each year. The decision package also decreases appropriations for grants in the HOME and HTF programs for the amount of federal funds anticipated to be available in the 2025 biennium.

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	158	158	0.00	0	0	158	158
Total	0.00	\$0	\$0	\$158	\$158	0.00	\$0	\$0	\$158	\$158

*"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 \$3,168 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 Housing Division has three programs that are funded through proprietary funds, which include:

- The Montana Board of Housing
- Project Based Section 8 Program
- Tenant Based Section 8 Program

Montana Board of Housing – Funds 06030, 06031, 06032, 06078, 06079*Proprietary Program Description*

The Montana Housing Act of 1975 created the Montana Board of Housing. The board is an agency of the state and operates within the Department of Commerce for administrative purposes. The Board of Housing is primarily mandated in Title 2, Chapter 15; and Title 90, Chapter 1, and Chapter 6, MCA. The powers of the board are vested in a seven-member board, appointed by the Governor, subject to the confirmation of the state Senate. The board provides direction to the agency staff for its programs that include the Homeownership Program, Multifamily Loan Program, Low Income Housing Tax Credit Program, Housing Montana fund, and the Reverse Annuity Mortgage (RAM) Program.

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
06030	BOH Financial Programs	65010	Dept. of Commerce	Housing Division - Board of Housing
06031	Housing Trust Fund			
06032	BOH Loan Servicing			
06078	Affordable Housing Revolving			
06079	Revolving Loan - TANF			

	Actual FY 22	Estimated FY 23	Proposed FY 24	Proposed FY 25
Operating Revenues				
Fees and Charges				
Charges For Services	4,420,134	4,552,738	4,689,320	4,830,000
BOI Investment Earnings Class	15,578,470	21,575,000	22,330,125	23,111,679
Total Operating Revenues	19,998,604	26,127,738	27,019,445	27,941,679
Expenses				
Personal Services	2,464,928	2,728,756	2,800,247	2,817,873
Other Operating Expense	4,229,893	2,544,723	2,781,485	2,745,790
Debt Service	13,411,029	20,519,461	21,424,461	22,169,461
Expense B				
Expense C				
Total Operating Expense	20,105,850	25,792,940	27,006,193	27,733,124
Operating Income (Loss)	(107,246)	334,798	13,252	208,555
Income (Loss) Before Contributions and Transfers	(107,246)	334,798	13,252	208,555
Capital Contributions				
Transfers In	1,000,017	520,000		
Transfers Out	(1,000,000)	-	-	-
Loans and Lease Payments				
Change in Net Position	(107,229)	854,798	13,252	208,555
Beginning Net Position - July 1	162,324,018	163,578,211	164,433,008	164,446,261
Prior Period Adjustments	1,361,421			
Change in Net Position	(107,229)	854,798	13,252	208,555
Ending Net Position - June 30	163,578,211	164,433,008	164,446,261	164,654,816
Net Position (Fund Balance) Analysis				

Restricted Net Position (Enterprise Funds Only)	163,578,211	164,433,008	164,446,261	164,654,816
Unrestricted Net Position				

Expenditures

The figure below shows the proposed expenditures for the Board of Housing and loan servicing.

Housing MT Division				
Program	Actual FY 2022	Budgeted FY 2023	Proposed FY 2024	Proposed FY 2025
Board of Housing				
Personal Services	1,391,034	1,559,572	1,588,496	1,597,958
Operating Expenses	1,231,230	1,734,463	1,883,784	1,872,748
Debt Service	94,562	98,841	98,841	98,841
Total Expenditures	2,716,826	3,392,876	3,571,121	3,569,547
Loan Servicing				
Personal Services	1,128,377	1,169,184	1,211,751	1,219,915
Operating Expenses	551,079	810,260	897,701	873,042
Debt Service	88,461	90,620	90,620	90,620
Total Expenditures	1,767,917	2,070,064	2,200,072	2,183,577

Overall, the executive is proposing an increase in personal services and operating expenses in the Board of Housing and Loan Servicing Program primarily for statewide present law adjustments for personal services, fixed costs, and inflation. Other increases are for new fixed costs and for increased administrative costs.

Revenues

The Board of Housing's income is derived primarily from mortgage investment income. Mortgage income is the interest people pay on Board of Housing loans and is limited by the Internal Revenue Service as a condition of using tax-free bonds as a financing source. Mortgage income is also controlled by the national markets, which set both mortgage rates and bond financing rates. Investment income comes from interest earned on investing reserves that the Board of Housing is required to hold as well as bond and program moneys not yet used to buy mortgages and pay bondholders. Both future mortgage and investment income depend on the interest rate environment, which is determined by the national financial markets.

Proprietary Rates

The Board of Housing recovers costs from charging application and compliance fees for the Low-Income Tax Credit Program and from charging a spread on loan programs.

Requested Rates for Internal Service or Enterprise Funds Fee/Rate Information					
Fee Description:		Actual FY 22	Estimated FY 23	Proposed FY 24	Proposed FY 25
Pre 1980 Single Family Programs	% spread between mortgage interest rate and bond yield. No limit on investment earnings	1.50%	1.50%	1.50%	1.50%
Post Single Family Programs	% spread between mortgage interest rate and bond yield. Investment earnings limited to the bond yield	1.125%	1.125%	1.125%	1.125%
Pre 1986 Multifamily Program	% spread between the mortgage interest rate and the bond yield. No limit on investment earnings	1.50%	1.50%	1.50%	1.50%
Post 1986 Multifamily Program	% spread between the mortgage interest rate and the bond yield. Investment earnings limited to the bond yield	1.50%	1.50%	1.50%	1.50%
Multifamily Reservation Fee	up to a % of the loan amount reserved	1.00%	1.00%	1.00%	1.00%
Letter of Intent - Housing Credits	per submission	\$1,500	\$3,000	\$3,000	\$3,000
Application - Housing Credits	% of the tax credit amount requested	1.00%	1.00%	1.00%	1.00%
Reservation fees-Housing Credits	% of the tax credit amount reserved	10.00%	10.00%	10.00%	10.00%
Underwriting Fees - Housing Credits	per application	\$3,000	\$3,000	\$3,000	\$3,000
Compliance fees-Housing Credit Program	per unit	\$45	\$45	\$45	\$45
Interest income on reverse annuity mortgage loans	4-5% (new) 5% (old) loans	3-5%	3-5%	3-5%	3-5%
Housing Revolving Loan Fund (HRLA)	variable rates ranging from 2% to 6%	2-6%	2-6%	2-6%	2-6%
Interest on Investments	STIP investment rate	varies	varies	varies	varies

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.

HUD Section 8 (Project Based Housing) – Fund 06074

Proprietary Program Description

The Project Based Section 8 Program is the U.S. Department of Housing and Urban Development contract administrator for low-income rental properties HUD subsidizes throughout the state. The program provides rental assistance to projects at fixed locations instead of direct assistance to tenants. Landlords perform administrative tasks at the local level. The agency performs annual property reviews, oversees property management, and makes rent subsidy payments to owners. The agency earns fees from HUD under a performance-based contract for the tasks performed. The Project Based Program renews rent contracts to project owners as they expire. Contract managers prepare special damage claims, complete annual rent increases, respond to emergencies, check compliance for fair housing and waiting lists, conduct on-site management reviews, follow-up to physical inspections, review management decisions, and provides budget assistance to local property owners.

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		
06074	SEC 8 Project Based	65010	Dept. of Commerce	Housing MT - PB Section 8		
			Actual FY 22	Estimated FY 23	Proposed FY 24	Proposed FY 25
Operating Revenues						
Fees and Charges						
Charges For Services						
BOI Investment Earnings Class						
Federal						
			8,673	13,349	13,816	14,300
			26,551,142	27,480,432	28,442,247	29,437,726
Total Operating Revenues			26,559,815	27,493,781	28,456,063	29,452,026
Expenses						
Personal Services						
Other Operating Expense						
Benefits & Claims						
Debt Service						
Equipment & Intangible Assets						
			762,458	843,069	873,321	876,889
			313,924	350,334	401,091	384,600
			25,715,394	25,245,506	26,145,349	27,076,686
			14,307	61,881	61,881	61,881
				156,000	156,000	156,000
Total Operating Expense			26,806,083	26,656,790	27,637,642	28,556,056
Operating Income (Loss)			(246,268)	836,991	818,421	895,970
Income (Loss) Before Contributions and Transfers			(246,268)	836,991	818,421	895,970
Change in Net Position			(246,268)	836,991	818,421	895,970
Beginning Net Position - July 1			4,492,608	4,259,159	5,096,150	5,914,571
Prior Period Adjustments			12,819			
Change in Net Position			(246,268)	836,991	818,421	895,970
Ending Net Position - June 30			4,259,159	5,096,150	5,914,571	6,810,541

Expenditures

The executive is proposing an increase primarily in benefits and claims. The increase in benefits and claims is based on the U.S. Department of Housing and Urban Development's (HUD) fair market rents, which traditionally increase each year.

Revenues

Revenues are generated in the Project Based Section 8 Contract Administration under a HUD performance-based contract using 17 incentive-based performance standards, which are calculated by HUD monthly, quarterly, and annually. Revenues generated are required to be used for contract administration. Rental assistance payments are made based on contracts negotiated by program staff and tenant income data. Payments are paid and reimbursed monthly by HUD, based on actual program benefits paid to owners.

Proprietary Rates

The Project Based Section 8 Contract Administration is funded through a performance-based contract with HUD, based on a 5-year renewable request for proposals. Retained earnings are to be used for operations of this program. Funding for rents is paid by HUD, based on actual contracts negotiated between the department and the individual owners of the projects, set up on a procedure dictated by HUD.

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:				
Administration Contract	2.50%	2.50%	2.50%	2.50%
Base fee rate paid by HUD = 2.5% times the two-bedroom Fair Market Rent for all projects under ACC contract for standard performance, as judged by HUD monthly, quarterly, and annually.				
Administration Contract	1.00%	1.00%	1.00%	1.00%
Performance fee incentive rate based on 17 Incentive Based Performance Standards (IBPS), graded monthly, quarterly, and annually by HUD. Can be either positive or negative, based on whether time standards and performance requirements are met on each of the 17 IBPS standards. Rate 3 (per unit)				
Rents Contract	100.00%	100.00%	100.00%	100.00%
Amounts for rentals are based on 100% of contracted amounts per unit each month, less tenant share of rents.				

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.

HUD Section 8 – Fund 06037 (Mod Rehab HAP), 06054 (Section 8 HAP), 06075 (Tenant Based), 06085 (Mod Rehab)

The Tenant Based Section 8 Program provides rent assisted units for very low-income families (including elderly and disabled) to ensure they have decent, safe, and sanitary housing, using the HUD Section 8 Housing Choice Vouchers and Moderate Rehabilitation Programs. The programs operate on a first come, first serve basis statewide, through a network of

field agencies the department contracts with for administration of local operations in the program. Leases are entered on the open rental market between tenants and private landlords. The program makes a subsidy payment to the property owner on behalf of the tenant. Payments are based on applicable unit rent limits, and tenants generally pay 30.0% of their income towards rent and utilities.

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
06037	Sect 8 Mod Rehab HAP	65010	Dept. of Commerce	Housing MT - TB Section 8
06054	Section 8 HAP			
06075	Section 8 Vouchers			
06085	Section 8 Mod Rehab			

	Actual FY 22	Estimated FY 23	Proposed FY 24	Proposed FY 25
Operating Revenues				
Fees and Charges				
Charges For Services				
BOI Investment Earnings Class	11,329	18,707	19,362	20,040
Federal	24,399,644	26,253,631	29,637,508	32,052,321
Total Operating Revenues	<u>24,410,973</u>	<u>26,272,338</u>	<u>29,656,870</u>	<u>32,072,361</u>
Expenses				
Personal Services	820,616	918,668	878,218	882,133
Other Operating Expense	2,093,348	2,616,200	2,912,403	3,014,504
Benefits & Claims	21,138,425	25,869,929	26,775,376	27,712,514
Debt Service	14,307	201,600	201,600	201,600
Equipment & Intangible Assets		156,000	156,000	156,000
Total Operating Expense	<u>24,066,696</u>	<u>29,762,397</u>	<u>30,923,597</u>	<u>31,966,751</u>
Operating Income (Loss)	<u>344,277</u>	<u>(3,490,059)</u>	<u>(1,266,727)</u>	<u>105,610</u>
Income (Loss) Before Contributions and Transfers	<u>344,277</u>	<u>(3,490,059)</u>	<u>(1,266,727)</u>	<u>105,610</u>
Change in Net Position	<u>344,277</u>	<u>(3,490,059)</u>	<u>(1,266,727)</u>	<u>105,610</u>
Beginning Net Position - July 1	5,686,886	5,992,177	2,502,118	1,235,391
Prior Period Adjustments	(38,986)			
Change in Net Position	344,277	(3,490,059)	(1,266,727)	105,610
Ending Net Position - June 30	<u>5,992,177</u>	<u>2,502,118</u>	<u>1,235,391</u>	<u>1,341,001</u>
Net Position (Fund Balance) Analysis				
Restricted Net Position (Enterprise Funds Only)	5,992,177	2,502,118	1,235,391	1,341,001
Unrestricted Net Position	-	-	-	-

Expenditures

The executive is requesting increases in operating expenses and benefits and claims. Operating expense increases are due to statewide present law adjustment for fixed costs and inflation. Benefits and claims are based on the U.S. Department of HUD fair market rents. This traditionally increases each year.

Revenues

The Tenant Based Section 8 Program is supported by an enterprise fund with revenues derived from performance-based Annual Contribution Contracts with HUD. Revenues for the Tenant Based Section 8 Program are generated per unit for each rental unit under lease each month.

Proprietary Rates

Fund revenues are derived from competitively awarded, performance-based Annual Contribution Contracts with HUD. The program is completely self-supporting. The department is the only statewide housing authority in Montana and specifically budgeted for in HUD’s ongoing appropriation for Tenant Based Section 8.

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:				
Administration Contract	\$91.90	\$95.12	\$98.45	\$101.90
Base fee rate paid by HUD = \$91.90 (before proration) per unit per month under lease, which is HUD's column B rate for units beyond the first 600 Housing Choice Vouchers (or 7,200-unit months per year) for the majority of leases. Mod Rehab earned fee rate is \$98.46 per lease per month (HUD's column A rate, no proration). Estimate increases of 3.5% per year for FY 2023, FY 2024, and FY 2025.				
Rents Contract	100.00%	100.00%	100.00%	100.00%
Amounts for rentals are based on 100% of contracted amounts per unit each month, less tenant share of rents.				

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.

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	9,698,118	9,555,426	(142,692)	(1.47)%
Operating Expenses	7,512,580	6,851,679	(660,901)	(8.80)%
Debt Service	3,706	1,112	(2,594)	(69.99)%
Total Expenditures	\$17,214,404	\$16,408,217	(\$806,187)	(4.68)%
Proprietary Funds	17,214,404	16,408,217	(806,187)	(4.68)%
Total Funds	\$17,214,404	\$16,408,217	(\$806,187)	(4.68)%

Program Description

Article VIII, Section 13 of the Montana Constitution created the Unified Investment Program, which includes all state agency funds. The Board of Investments (the “Board”), by law, invests the Unified Investment Program. Local governments may also invest with the Board. Today, the Board manages approximately \$24.9 billion for all state agencies, universities, school districts, and other local governments. To facilitate management of the Unified Investment Program, a combination of investment pools and separate accounts are used to meet the financial goals and expectations of the entities which entrust these funds to the Board. Investments not managed in pools are included in All Other Funds-Direct Holdings.

<u>Name of Pool</u>	<u>Eligible Participants</u>
1. Consolidated Asset Pension Pool	Retirement systems funds only
2. Trust Funds Investment Pool	Various state trust funds
3. Short Term Investment Pool	Eligible local & state agencies
4. All Other Funds–Direct Holdings	Non-pool state agency investments

The Board issues a “consolidated” financial statement for the investment pools and All Other Funds -Direct Holdings that provides a comprehensive view of total pool and All Other Funds-Direct Holdings’ assets.

In addition to the Board’s investment responsibilities, it is charged with creating solutions to financial issues facing new and expanding businesses in the State of Montana. To accomplish this goal, the Board administers several different loan programs that can be specifically tailored to meet an individual business’ or local government’s needs. The In-State Investment Program consists of commercial loans funded by the Coal Tax Trust, low interest loans for first time home buying Montana Veterans, and loans for the development and preservation of homes and apartments to assist eligible low- and moderate-income applicants.

The Board also issues bonds and lends the proceeds to Montana state agencies, universities, and local governments for various projects.

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

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

Program Highlights

Board of Investment Major Budget Highlights
<ul style="list-style-type: none"> • The Board of Investment’s 2025 biennium requested appropriations are approximately \$806,000 or 4.7% less than the 2023 biennium • This decrease is primarily due to the 2023 biennium budget being greater as the Board issued dividend payments • Other decreases are due to statewide present law adjustments for personal services • The executive proposal also includes: <ul style="list-style-type: none"> ◦ Statewide present law adjustment increases for fixed costs and inflation ◦ Proprietary increases for new fixed cost related to the Chief Data Office in the Department of Administration ◦ Administrative cost adjustments for non-state building rents

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	33.00	33.00	33.00	33.00
Personal Services	4,477,772	4,646,804	5,051,314	4,766,023	4,789,403
Operating Expenses	4,201,627	4,306,622	3,205,958	3,468,931	3,382,748
Debt Service	0	3,150	556	556	556
Total Expenditures	\$8,679,399	\$8,956,576	\$8,257,828	\$8,235,510	\$8,172,707
Proprietary Funds	8,679,399	8,956,576	8,257,828	8,235,510	8,172,707
Total Funds	\$8,679,399	\$8,956,576	\$8,257,828	\$8,235,510	\$8,172,707

Program Discussion -

FY 2022 Appropriation Compared to FY 2022 Actual Expenditures

The Board of Investments expended \$8.7 million or 96.9% of their approximate \$9.0 million appropriation in FY 2022. Personal services were 96.4% expended and operating expenses were 97.6% expended.

FY 2022 Appropriations Compared to FY 2023 Appropriations

The Board of Investments appropriation authority for FY 2023 is approximately \$699,000 less than FY 2022. This includes an increase in personal services authority by \$405,000 and a decrease in operating expenses of \$1.1 million. Differences in authority are primarily due to operating plan transfers that increased the operating expense budget in FY 2022. In FY 2022, the Board of Investments had excess working capital which they distributed in the form of dividends to participant agencies. Additionally, personal service authority was increased in FY 2023 to match anticipated present law expenditures.

Executive Request

The executive is requesting an overall decrease in proprietary funds for the 2025 biennium. The proprietary budget in FY 2022 was increased by \$900,000 to distribute dividends. This decrease is primarily due to the exclusion of the dividends budget in the 2025 biennium as well as decreases in statewide present law adjustments for personal services funding.

Program Personal Services Narrative

The Board of Investments does not have any HB 2 funded FTE. However, they do have 33.00 permanent FTE funded by non-budgeted proprietary funding. At the end of FY 2022, all positions were filled in this division.

Personal services were 61.2% of the BOI’s FY 2023 appropriation. For the 2025 biennium, BOI is requesting an overall decrease in personal service authority of \$143,000. This decrease is primarily driven by employee turnover throughout the 2023 biennium. It should also be noted that the Board issued planned carrier ladder increases after the FY 2023 personal services snapshot. Therefore, that increase is not reflected in DP 1.

Funding

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

Department of Commerce, 75-Board of Investments 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 %
State Special Total	\$0	\$0	\$0	\$0	\$0	0.00 %
03048 BOI Montana Loan Deferment Pro	0	0	0	0	0	0.00 %
03920 ARPA State Recovery Sec 602	0	0	0	0	0	0.00 %
Federal Special Total	\$0	\$0	\$0	\$0	\$0	0.00 %
06014 BOI Municipal Finance Programs	0	0	1,303,072	1,200,000	2,503,072	14.22 %
06527 Investment Division	0	0	15,105,145	0	15,105,145	85.78 %
Proprietary Total	\$0	\$0	\$16,408,217	\$1,200,000	\$17,608,217	100.00 %
Total All Funds	\$0	\$0	\$16,408,217	\$1,200,000	\$17,608,217	

Statutory Authority

Section 17-7-502, MCA provides funding to the Board of Investments related to the debt services for the INTERCAP Program. Statutory authority provides funding for legal and marketing fees related to these debt services.

Non-Budgeted Proprietary Fund

The majority of the Board of Investments funding comes from non-budgeted proprietary funding. These funds are discussed in the Proprietary Rates section of this narrative.

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 %	8,257,828	8,257,828	16,515,656	100.65 %	
SWPL Adjustments	0	0	0	0.00 %	(52,043)	(125,561)	(177,604)	(1.08)%	
PL Adjustments	0	0	0	0.00 %	29,094	39,809	68,903	0.42 %	
New Proposals	0	0	0	0.00 %	631	631	1,262	0.01 %	
Total Budget	\$0	\$0	\$0		\$8,235,510	\$8,172,707	\$16,408,217		

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	0	0	(285,291)	0.00	0	0	0	(261,911)
DP 2 - Fixed Costs	0.00	0	0	0	119,376	0.00	0	0	0	(12,214)
DP 3 - Inflation Deflation	0.00	0	0	0	113,872	0.00	0	0	0	148,564
DP 7502 - BOI ADMINISTRATIVE COSTS ADJUSTMENTS	0.00	0	0	0	29,094	0.00	0	0	0	39,809
Grand Total All Present Law Adjustments	0.00	\$0	\$0	\$0	(\$22,949)	0.00	\$0	\$0	\$0	(\$85,752)

**"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 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.

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 %	
03127 African American Heritage	0	0	0	0	0	0.00 %	
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.

<p>LFD ISSUE</p>	<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 %	
03920 ARPA State Recovery Sec 602	0	0	0	0	0	0.00 %	
03253 ARPA EDA Planning	0	0	0	0	0	0.00 %	
03706 CARES ACT Commerce Reimburseme	0	0	0	0	0	0.00 %	
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 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	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.

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	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 FY 22	Estimated FY 23	Proposed FY 24	Proposed 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		32,174	139,728	139,728	139,728
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.