

Agency Budget Comparison

The following table compares the 2021 biennium appropriated budget and the 2023 biennium adopted budget by type of expenditure and source of funding.

| Agency Budget Comparison | | | | |
|--------------------------------|------------------------------|-----------------------------|----------------------|----------------------|
| Budget Item | Appropriated Budget 20-21 | Legislative Budget 22-23 | Biennium Change | Biennium % Change |
| Personal Services | 8,218,497 | 9,742,219 | 1,523,722 | 18.54 % |
| Operating Expenses | 9,598,832 | 13,760,569 | 4,161,737 | 43.36 % |
| Capital Outlay | 0 | 800,000 | 800,000 | 0.00 % |
| Local Assistance | 92,000 | 92,000 | 0 | 0.00 % |
| Grants | 48,254,371 | 46,437,080 | (1,817,291) | (3.77)% |
| Transfers | 1,602,247 | 482,248 | (1,119,999) | (69.90)% |
| Debt Service | 2,753 | 0 | (2,753) | (100.00)% |
| Total Expenditures | \$67,768,700 | \$71,314,116 | \$3,545,416 | 5.23 % |
| General Fund | 11,226,991 | 9,124,775 | (2,102,216) | (18.72)% |
| State/Other Special Rev. Funds | 14,386,989 | 20,308,274 | 5,921,285 | 41.16 % |
| Federal Spec. Rev. Funds | 42,154,720 | 41,881,067 | (273,653) | (0.65)% |
| Total Funds | \$67,768,700 | \$71,314,116 | \$3,545,416 | 5.23 % |
| Total Ongoing | \$63,055,154 | \$68,483,289 | \$5,428,135 | 8.61 % |
| Total OTO | \$4,713,546 | \$2,830,827 | (\$1,882,719) | (39.94)% |

Agency Description

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

Agency Highlights

**Department of Commerce
Major Budget Highlights**

- The legislature adopted an increase to the Department of Commerce's 2023 biennium budget of approximately \$3.5 million or 5.2% compared to the 2021 biennium budget
- Changes adopted by the legislature include:
 - Statewide present law adjustments for personal services, fixed costs, and inflation/deflation
 - One-time-only appropriations for the following programs:
 - Primary Sector Workforce Training Grant Program
 - Indian Country Economic Development Program
 - State Trade and Export Promotion Program
 - A reduction in general fund appropriations due to the transfer of the Montana Indian Language Preservation Program from the Department of Commerce to the Office of Public Instruction
 - A decrease in state special revenue for the elimination of the HB 2 biofuels appropriation from the big sky trust fund paid to Montana State University (MSU) Northern
 - An increase in state special revenue for the following:
 - Reestablishment of the Taipei, Taiwan Trade Office and expanded economic development efforts
 - Nevada and Virginia Cities Maintenance
 - FTE and funding for completion of the Delivering Local Assistance (DLA) Program
 - Administration of the Historic Preservation Grant Program

Agency Actuals and Budget Comparison

The following table compares FY 2020 actual expenditures to the 2021 biennium appropriated budget and the 2023 biennium adopted budget by year, type of expenditure, and source of funding.

| Agency Actuals and Budget Comparison | | | | | |
|--------------------------------------|------------------------|------------------------|------------------------|----------------------------|----------------------------|
| Budget Item | Actuals Fiscal 2020 | Approp. Fiscal 2020 | Approp. Fiscal 2021 | Legislative Fiscal 2022 | Legislative Fiscal 2023 |
| FTE | 0.00 | 46.05 | 46.05 | 50.05 | 50.05 |
| Personal Services | 3,273,554 | 4,079,355 | 4,139,142 | 4,840,623 | 4,901,596 |
| Operating Expenses | 2,637,637 | 4,654,264 | 4,944,568 | 6,955,982 | 6,804,587 |
| Capital Outlay | 0 | 0 | 0 | 400,000 | 400,000 |
| Local Assistance | 0 | 46,000 | 46,000 | 46,000 | 46,000 |
| Grants | 15,651,122 | 24,300,310 | 23,954,061 | 23,219,503 | 23,217,577 |
| Transfers | 800,000 | 801,123 | 801,124 | 241,124 | 241,124 |
| Debt Service | 2,754 | 2,753 | 0 | 0 | 0 |
| Total Expenditures | \$22,365,067 | \$33,883,805 | \$33,884,895 | \$35,703,232 | \$35,610,884 |
| General Fund | 5,357,478 | 5,647,735 | 5,579,256 | 4,540,938 | 4,583,837 |
| State/Other Special Rev. Funds | 4,097,458 | 7,194,766 | 7,192,223 | 10,215,022 | 10,093,252 |
| Federal Spec. Rev. Funds | 12,910,131 | 21,041,304 | 21,113,416 | 20,947,272 | 20,933,795 |
| Total Funds | \$22,365,067 | \$33,883,805 | \$33,884,895 | \$35,703,232 | \$35,610,884 |
| Total Ongoing | \$20,202,199 | \$31,476,929 | \$31,578,225 | \$34,312,619 | \$34,170,670 |
| Total OTO | \$2,162,868 | \$2,406,876 | \$2,306,670 | \$1,390,613 | \$1,440,214 |

Summary of Legislative Action

The legislature adopted an increase to the Department of Commerce’s 2023 biennium appropriation of approximately \$3.5 million or 5.2% compared to the 2021 biennium appropriation. Changes in the budget included adoption of one-time-only appropriations for the Primary Sector Workforce Training Grant Program, Indian Country Economic Development Program, and the State Trade and Export Promotion Program as well as a reduction in general fund appropriations due to the transfer of the Montana Indian Language Preservation Program from the Department of Commerce to the Office of Public Instruction. The legislature also adopted increases in state special revenue for:

- Reestablishment of the Taipei, Taiwan Trade Office and additional economic development
- Providing additional funding for maintenance of Nevada and Virginia Cities under the Montana Heritage Commission
- An additional FTE to administer the Delivering Local Assistance Program. The program provides infrastructure project grants to local governments impacted by natural resource development
- Administering the Historic Preservation Grant Program

Funding

The following table shows adopted agency funding by source of authority.

| Total Department of Commerce Funding by Source of Authority 2023 Biennium Budget Request - Department of Commerce | | | | | | |
|--|---------------------|--------------------|-----------------------------|----------------------------|----------------------|----------------------|
| Funds | HB2 Ongoing | HB2 OTO | Non-Budgeted Proprietary | Statutory Appropriation | Total All Sources | % Total All Funds |
| General Fund | 6,846,942 | 2,277,833 | 0 | 3,573,439 | 12,698,214 | 4.08 % |
| State Special Total | 19,755,280 | 552,994 | 0 | 85,169,599 | 105,477,873 | 33.91 % |
| Federal Special Total | 41,881,067 | 0 | 0 | 2,085,498 | 43,966,565 | 14.14 % |
| Proprietary Total | 0 | 0 | 144,704,496 | 4,160,902 | 148,865,398 | 47.87 % |
| Other Total | 0 | 0 | 0 | 0 | 0 | 0.00 % |
| Total All Funds | \$68,483,289 | \$2,830,827 | \$144,704,496 | \$94,989,438 | \$311,008,050 | |
| Percent - Total All Sources | 22.02 % | 0.91 % | 46.53 % | 30.54 % | | |

Approximately 75.0% of the overall funding for 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.

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 2022 | Budget Fiscal 2023 | Biennium Fiscal 22-23 | Percent of Budget | Budget Fiscal 2022 | Budget Fiscal 2023 | Biennium Fiscal 22-23 | Percent of Budget |
| 2021 Base Budget | 3,354,256 | 3,354,256 | 6,708,512 | 73.52 % | 31,578,225 | 31,578,225 | 63,156,450 | 88.56 % |
| SWPL Adjustments | 24,502 | 20,443 | 44,945 | 0.49 % | 64,359 | (32,307) | 32,052 | 0.04 % |
| PL Adjustments | 47,382 | 46,103 | 93,485 | 1.02 % | 1,210,035 | 1,211,727 | 2,421,762 | 3.40 % |
| New Proposals | 1,114,798 | 1,163,035 | 2,277,833 | 24.96 % | 2,850,613 | 2,853,239 | 5,703,852 | 8.00 % |
| Total Budget | \$4,540,938 | \$4,583,837 | \$9,124,775 | | \$35,703,232 | \$35,610,884 | \$71,314,116 | |

Other Legislation

HB 340 – This legislation expands the wages and expenditures eligible for the Montana Economic Development Industry Advancement Act, film tax incentive, as well as increases the tax credits and the maximum cap on available credits. The Department of Commerce assumes this bill will bring a significant increase in the number of production applications.

HB 632 – This legislation provides for funding that is anticipated as a result of the American Rescue Plan Act. The Department of Commerce is appropriated the following:

- \$50.0 million for mortgage assistance
- \$11.5 million for HOME Program supplemental allocations
- \$152.4 million for emergency rental assistance
- \$65.0 million for state small business credit initiatives

HB 704 – This legislation allows the Montana State Lottery to establish a lottery game with 50.0% of the net proceeds going to the Board of Horse Racing (BOHR). Any revenue that the BOHR receives will be used to expand the number of horse race days in the state and, if feasible, open another racetrack in the state that is currently closed.

SB 147 – This legislation authorizes local governments with the Montana Facilities Finance Authority (MFFA) serving in an administrative agency capacity to assist local governments in the adoption of commercial property-assessed clean energy (CPACE) programs.

Executive Budget Comparison

| Executive Budget Comparison | | | | | | | | |
|-----------------------------------|------------------------|------------------------------------|--------------------------------------|--|------------------------------------|--------------------------------------|--|--|
| Budget Item | Approp. Fiscal 2021 | Executive Budget Fiscal 2022 | Legislative Budget Fiscal 2022 | Leg — Exec. Difference Fiscal 2022 | Executive Budget Fiscal 2023 | Legislative Budget Fiscal 2023 | Leg — Exec. Difference Fiscal 2023 | Biennium Difference Fiscal 22-23 |
| FTE | 46.05 | 50.05 | 50.05 | 0.00 | 50.05 | 50.05 | 0.00 | 0.00 |
| Personal Services | 4,139,142 | 4,040,623 | 4,840,623 | 800,000 | 4,101,596 | 4,901,596 | 800,000 | 1,600,000 |
| Operating Expenses | 4,944,568 | 5,267,618 | 6,955,982 | 1,688,364 | 5,117,519 | 6,804,587 | 1,687,068 | 3,375,432 |
| Equipment & Intangible Assets | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| Local Assistance | 46,000 | 46,000 | 46,000 | 0 | 46,000 | 46,000 | 0 | 0 |
| Grants | 23,954,061 | 23,932,003 | 23,619,503 | (312,500) | 23,930,077 | 23,617,577 | (312,500) | (625,000) |
| Benefits & Claims | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| Transfers | 801,124 | 241,124 | 241,124 | 0 | 241,124 | 241,124 | 0 | 0 |
| Debt Service | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| Total Costs | \$33,884,895 | \$33,527,368 | \$35,703,232 | \$2,175,864 | \$33,436,316 | \$35,610,884 | \$2,174,568 | \$4,350,432 |
| General Fund | 5,579,256 | 5,291,261 | 4,540,938 | (750,323) | 5,334,490 | 4,583,837 | (750,653) | (1,500,976) |
| State/other Special Rev. Funds | 7,192,223 | 7,285,400 | 10,215,022 | 2,929,622 | 7,164,332 | 10,093,252 | 2,928,920 | 5,858,542 |
| Federal Spec. Rev. Funds | 21,113,416 | 20,947,711 | 20,947,272 | (439) | 20,934,498 | 20,933,795 | (703) | (1,142) |
| Other | 0 | 2,996 | 0 | (2,996) | 2,996 | 0 | (2,996) | (5,992) |
| Total Funds | \$33,884,895 | \$33,527,368 | \$35,703,232 | \$2,175,864 | \$33,436,316 | \$35,610,884 | \$2,174,568 | \$4,350,432 |
| Total Ongoing | \$31,578,225 | \$31,482,622 | \$34,312,619 | \$2,829,997 | \$31,342,379 | \$34,170,670 | \$2,828,291 | \$5,658,288 |
| Total OTO | \$2,306,670 | \$2,044,746 | \$1,390,613 | (\$654,133) | \$2,093,937 | \$1,440,214 | (\$653,723) | (\$1,307,856) |

The legislature adopted ongoing appropriations that are \$5.7 million higher than the proposed appropriations for the 2023 biennium. Significant changes include:

- Removal of funding for the Montana Indian Language Preservation Program due to the program being moved to the Office of Public Instruction. This removal resulted in a decrease in one-time-only appropriations of \$20,000 for personal services, \$17,500 for operating expenses, and \$712,500 for grant funding each fiscal year
- The legislature approved Historic Preservation Grant Program funding of approximately \$96,000, as one-time-only instead of an ongoing appropriation
- A reduction in fixed costs for warehouses, storage rooms, and information technology of approximately \$1,000 in FY 2022 and \$2,000 in FY 2023
- The legislature approved funding to reestablish the Taipei, Taiwan Trade Office, which resulted in an increase in state special revenue of \$160,000 in each fiscal year
- A separate decision provided additional funding for the Taipei Trade Office and for economic development and business recruitment, which increased state special revenue appropriations by \$500,000 in each fiscal year
- An increase of \$1.0 million each fiscal year in state special revenue for maintenance of Nevada and Virginia Cities
- An increase in state special revenue of approximately \$1.3 million in each fiscal year in HB 2 for the Montana Heritage Commission to allow legislative review of the funding each biennium. The funding was previously statutorily appropriated

Program Budget Comparison

The following table compares the 2021 biennium appropriated budget and the 2023 biennium adopted budget by type of expenditure and source of funding.

| Program Budget Comparison | | | | |
|--------------------------------|---------------------------|--------------------------|----------------------|-------------------|
| Budget Item | Appropriated Budget 20-21 | Legislative Budget 22-23 | Biennium Change | Biennium % Change |
| Personal Services | 3,677,250 | 4,348,101 | 670,851 | 18.24 % |
| Operating Expenses | 5,247,630 | 6,334,287 | 1,086,657 | 20.71 % |
| Local Assistance | 92,000 | 92,000 | 0 | 0.00 % |
| Grants | 5,261,529 | 3,421,576 | (1,839,953) | (34.97)% |
| Transfers | 1,602,247 | 482,248 | (1,119,999) | (69.90)% |
| Debt Service | 803 | 0 | (803) | (100.00)% |
| Total Expenditures | \$15,881,459 | \$14,678,212 | (\$1,203,247) | (7.58)% |
| General Fund | 9,373,406 | 7,238,648 | (2,134,758) | (22.77)% |
| State/Other Special Rev. Funds | 4,815,609 | 5,723,033 | 907,424 | 18.84 % |
| Federal Spec. Rev. Funds | 1,692,444 | 1,716,531 | 24,087 | 1.42 % |
| Total Funds | \$15,881,459 | \$14,678,212 | (\$1,203,247) | (7.58)% |
| Total Ongoing | \$11,167,913 | \$12,220,046 | \$1,052,133 | 9.42% |
| Total OTO | \$4,713,546 | \$2,458,166 | (\$2,255,380) | (47.85)% |

Program Description

The Montana Office of Tourism and Business Development (MOTBD) markets Montana's spectacular unspoiled nature, vibrant and charming small towns, breathtaking experiences, relaxing hospitality, and competitive business climate to promote the state as a place to visit and do business. Its goal is to sustain and enhance the quality of life for all Montanans and their communities by strengthening the economy through job creation and business development. In conjunction with other divisions of the Montana Department of Commerce and partners around the state, MOTBD's programs aim to support businesses through technical assistance, research, and access to grants and loans while inspiring visitation to maximize the economic impact of tourism, encourage private sector investment and ensure that Montana is a great place to live, work and play today and for future generations.

The mission of the Office of Tourism and Business Development Division is to provide the tools to create good jobs, build strong communities, and grow Montana's economy.

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

- Budget and Operations Bureau
- Marketing Bureau
- Industry Services and Outreach Bureau
- Business Assistance Bureau
- Research & Information Services Bureau

Program Highlights

| Office of Tourism and Business Development Major Budget Highlights |
|---|
| <ul style="list-style-type: none"> • The legislature adopted a reduction in the Office of Tourism and Business Development’s 2023 biennium appropriation of approximately \$1.2 million or 7.6% compared to the 2021 biennium appropriation. Changes included: <ul style="list-style-type: none"> ◦ Approval of one-time-only general fund appropriations for the Primary Sector Workforce Training Grant Program, Indian Country Economic Development Program, and Export Trade Promotion Program ◦ An increase in state special revenue for the reestablishment of funding for the Taipei, Taiwan Trade Office and for additional economic development efforts ◦ Reduction of one-time-only general fund appropriations due to the transfer of the Montana Indian Language Preservation Program from the Department of Commerce to the Office of Public Instruction ◦ A decrease in state special revenue for the elimination of the HB 2 biofuels appropriation from the big sky trust fund paid to MSU Northern |

Program Actuals and Budget Comparison

The following table compares FY 2020 actual expenditures to the 2021 biennium appropriated budget and the 2023 biennium adopted budget by year, type of expenditure, and source of funding.

| Program Actuals and Budget Comparison | | | | | |
|---------------------------------------|------------------------|------------------------|------------------------|----------------------------|----------------------------|
| Budget Item | Actuals Fiscal 2020 | Approp. Fiscal 2020 | Approp. Fiscal 2021 | Legislative Fiscal 2022 | Legislative Fiscal 2023 |
| FTE | 0.00 | 19.35 | 19.35 | 21.35 | 21.35 |
| Personal Services | 1,703,783 | 1,825,425 | 1,851,825 | 2,155,037 | 2,193,064 |
| Operating Expenses | 1,804,439 | 2,482,830 | 2,764,800 | 3,230,728 | 3,103,559 |
| Local Assistance | 0 | 46,000 | 46,000 | 46,000 | 46,000 |
| Grants | 2,585,776 | 2,830,389 | 2,431,140 | 1,711,751 | 1,709,825 |
| Transfers | 800,000 | 801,123 | 801,124 | 241,124 | 241,124 |
| Debt Service | 804 | 803 | 0 | 0 | 0 |
| Total Expenditures | \$6,894,802 | \$7,986,570 | \$7,894,889 | \$7,384,640 | \$7,293,572 |
| General Fund | 4,449,145 | 4,723,097 | 4,650,309 | 3,603,959 | 3,634,689 |
| State/Other Special Rev. Funds | 1,637,955 | 2,424,472 | 2,391,137 | 2,920,421 | 2,802,612 |
| Federal Spec. Rev. Funds | 807,702 | 839,001 | 853,443 | 860,260 | 856,271 |
| Total Funds | \$6,894,802 | \$7,986,570 | \$7,894,889 | \$7,384,640 | \$7,293,572 |
| Total Ongoing | \$4,731,934 | \$5,579,694 | \$5,588,219 | \$6,171,802 | \$6,048,244 |
| Total OTO | \$2,162,868 | \$2,406,876 | \$2,306,670 | \$1,212,838 | \$1,245,328 |

Funding

The following table shows adopted program funding by source of authority.

| Department of Commerce, 51-Office of Tourism & Business Development | | | | | | |
|---|---------------------|--------------------------|-------------------------|----------------------|-------------------|--|
| Funding by Source of Authority | | | | | | |
| Funds | HB2 | Non-Budgeted Proprietary | Statutory Appropriation | Total All Sources | % Total All Funds | |
| 01100 General Fund | 7,238,648 | 0 | 3,573,439 | 10,812,087 | 10.36 % | |
| 02029 BOHR Operation Fund | 0 | 0 | 0 | 0 | 0.00 % | |
| 02049 Hard Rock Mining | 0 | 0 | 0 | 0 | 0.00 % | |
| 02090 Business Asst-Private | 189,562 | 0 | 0 | 189,562 | 0.21 % | |
| 02100 Distressed Wood Products RLF | 0 | 0 | 1,144,135 | 1,144,135 | 1.27 % | |
| 02116 Accommodation Tax Account | 393,486 | 0 | 54,938,331 | 55,331,817 | 61.65 % | |
| 02154 MT Promotion-Private | 570,000 | 0 | 0 | 570,000 | 0.64 % | |
| 02210 Microbusiness Admin Acct | 357,950 | 0 | 0 | 357,950 | 0.40 % | |
| 02212 Microbusiness Loan Acct | 997,768 | 0 | 0 | 997,768 | 1.11 % | |
| 02229 MT SSBCI Servicing Fees | 68,560 | 0 | 0 | 68,560 | 0.08 % | |
| 02254 Regional Accommodation Tax | 0 | 0 | 19,851,382 | 19,851,382 | 22.12 % | |
| 02270 Treasure State Endowment | 0 | 0 | 0 | 0 | 0.00 % | |
| 02271 L&C Bicentennial Plate Fund | 0 | 0 | 21,400 | 21,400 | 0.02 % | |
| 02293 Film Production Credit | 0 | 0 | 30,000 | 30,000 | 0.03 % | |
| 02444 Census Voting District Project | 17,950 | 0 | 0 | 17,950 | 0.02 % | |
| 02445 Coal Board | 0 | 0 | 0 | 0 | 0.00 % | |
| 02771 Big Sky Economic Dev Program | 1,000,000 | 0 | 8,045,615 | 9,045,615 | 10.08 % | |
| 02848 SBDC Private Revenue NonFed | 46,975 | 0 | 0 | 46,975 | 0.05 % | |
| 02939 State-Tribal Economic Devel | 376,478 | 0 | 0 | 376,478 | 0.42 % | |
| 02344 Primary Sector Training | 1,354,304 | 0 | 0 | 1,354,304 | 1.51 % | |
| 02672 GAP Financing Program | 350,000 | 0 | 0 | 350,000 | 0.39 % | |
| State Special Total | \$5,723,033 | \$0 | \$84,030,863 | \$89,753,896 | 86.00 % | |
| 03092 Distressed Woods Federal | 0 | 0 | 2,085,498 | 2,085,498 | 54.85 % | |
| 03172 CARES Business Stabilization | 0 | 0 | 0 | 0 | 0.00 % | |
| 03207 Small Business Dev. Centers | 1,716,531 | 0 | 0 | 1,716,531 | 45.15 % | |
| 03331 OIT STEP | 0 | 0 | 0 | 0 | 0.00 % | |
| 03069 CARES Tourism Education | 0 | 0 | 0 | 0 | 0.00 % | |
| 03584 SBDC CARES Act | 0 | 0 | 0 | 0 | 0.00 % | |
| 03685 CARES ACT Census | 0 | 0 | 0 | 0 | 0.00 % | |
| Federal Special Total | \$1,716,531 | \$0 | \$2,085,498 | \$3,802,029 | 3.64 % | |
| Proprietary Total | \$0 | \$0 | \$0 | \$0 | 0.00 % | |
| Total All Funds | \$14,678,212 | \$0 | \$89,689,800 | \$104,368,012 | | |

HB 2 Authority

General Fund

General fund appropriations comprise approximately 49.3% of HB 2 appropriations. This includes funding for Certified Regional Development Corporations, Office of Trade and International Relations, Made in Montana Program, Montana Manufacturing Extension Center, Research and Information Services, Small Business Development Centers (SBDC), and Small Business Innovation Research/Small Business Technology Transfer. Additionally, there are one-time-only appropriations for the Primary Business Sector Training, Indian Country Economic Development, and Export Trade Promotion Programs.

State Special Revenue

State special revenue appropriations comprise 39.0% of HB 2 appropriations. These appropriations include authority for microbusiness loans, primary business sector training, private contributions for joint private/state targeted tourism advertising campaigns, the Big Sky Economic Development Program, and the State-Tribal Economic Development Program.

Federal Special Revenue

Federal special revenue appropriations comprise of 11.7% of HB 2 appropriations and are for SBDCs.

Statutory Appropriations

The majority of statutory appropriations are from lodging and facility taxes and are used to support tourism and film promotion in the state. Statutory appropriations also include funding for the Distressed Wood Products Program and the Big Sky Economic Development 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 2022 | Budget Fiscal 2023 | Biennium Fiscal 22-23 | Percent of Budget | Budget Fiscal 2022 | Budget Fiscal 2023 | Biennium Fiscal 22-23 | Percent of Budget |
| 2021 Base Budget | 2,425,309 | 2,425,309 | 4,850,618 | 67.01 % | 5,588,219 | 5,588,219 | 11,176,438 | 76.14 % |
| SWPL Adjustments | 3,805 | 4,176 | 7,981 | 0.11 % | 83,145 | 4,019 | 87,164 | 0.59 % |
| PL Adjustments | 43,344 | 42,169 | 85,513 | 1.18 % | 40,438 | 42,981 | 83,419 | 0.57 % |
| New Proposals | 1,131,501 | 1,163,035 | 2,294,536 | 31.70 % | 1,672,838 | 1,658,353 | 3,331,191 | 22.69 % |
| Total Budget | \$3,603,959 | \$3,634,689 | \$7,238,648 | | \$7,384,640 | \$7,293,572 | \$14,678,212 | |

Present Law Adjustments

The "Present Law" Adjustments table shows the changes from the base appropriation to the adopted 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 2022----- | | | | | -----Fiscal 2023----- | | | | |
| | FTE | General Fund | State Special | Federal Special | Total Funds | FTE | General Fund | State Special | Federal Special | Total Funds |
| DP 1 - Personal Services | 0.00 | 993 | 44 | 91 | 1,128 | 0.00 | 5,045 | 222 | 460 | 5,727 |
| DP 2 - Fixed Costs | 0.00 | 3,554 | 75,876 | 3,329 | 82,759 | 0.00 | (404) | 194 | (1,033) | (1,243) |
| DP 3 - Inflation Deflation | 0.00 | (742) | 0 | 0 | (742) | 0.00 | (465) | 0 | 0 | (465) |
| DP 4 - ServiceNow | 0.00 | (1,637) | (1,724) | (656) | (4,017) | 0.00 | (1,637) | (1,724) | (656) | (4,017) |
| DP 50 - SWPLA Fixed Cost Reductions | 0.00 | (55) | (37) | (52) | (144) | 0.00 | 25 | (12) | 65 | 78 |
| DP 5108 - OTBD ADMINISTRATIVE COSTS ADJUSTMENTS HB2 | 0.00 | 45,036 | (4,542) | 4,105 | 44,599 | 0.00 | 43,781 | (853) | 3,992 | 46,920 |
| Grand Total All Present Law Adjustments | 0.00 | \$47,149 | \$69,617 | \$6,817 | \$123,583 | 0.00 | \$46,345 | (\$2,173) | \$2,828 | \$47,000 |

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

DP 1 - Personal Services -

The legislature made adjustments to the present law personal services budget for expected changes, management decisions, and budget modifications.

DP 2 - Fixed Costs -

The legislature adopted adjustments to fixed costs assessed by other agencies within state government for the services they provide. Examples include the following: warrant writer, motor pool, etc.

DP 3 - Inflation Deflation -

The legislature adopted adjustments to reflect budgetary changes generated from the application of inflation and deflation factors to specific expenditure accounts. Affected accounts include food, postage, gasoline, and others.

DP 4 - ServiceNow -

The legislature adopted a decrease in funding because of the purchase of ServiceNow licenses and programs for the 2023 biennium. The legislature is anticipating operating efficiencies and other savings by using ServiceNow.

DP 50 - SWPLA Fixed Cost Reductions -

The legislature adjusted fixed costs for warehouses, storage rooms, and information technology.

DP 5108 - OTBD ADMINISTRATIVE COSTS ADJUSTMENTS HB2 -

The legislature approved the Office of Tourism and Business Development administrative cost adjustments. This change package augments the 2023 biennium appropriation request for the Office of Tourism and Business Development to match the amount of anticipated private funds to be received as a result of more public/private partnerships and enhancements to the State Tribal Tourism Program. Adjustments are also made for computer equipment, and for indirect costs charged by the Director's Office for services provided to the division.

New Proposals

The New Proposals table shows new changes to spending

| New Proposals | -----Fiscal 2022----- | | | | | -----Fiscal 2023----- | | | | |
|--|-----------------------|--------------------|------------------|-----------------|--------------------|-----------------------|--------------------|------------------|-----------------|--------------------|
| | FTE | General Fund | State Special | Federal Special | Total Funds | FTE | General Fund | State Special | Federal Special | Total Funds |
| DP 5101 - OTBD PRIMARY BUSINESS SECTOR TRAINING (OTO) | 1.00 | 240,000 | 81,337 | 0 | 321,337 | 1.00 | 240,000 | 82,293 | 0 | 322,293 |
| DP 5102 - OTBD INDIAN COUNTRY ECONOMIC DEVELOPMENT (OTO) | 1.00 | 873,054 | 0 | 0 | 873,054 | 1.00 | 873,035 | 0 | 0 | 873,035 |
| DP 5103 - OTBD MT INDIAN LANGUAGE PRESERVATION (BIEN/OTO) | 0.00 | 750,000 | 0 | 0 | 750,000 | 0.00 | 750,000 | 0 | 0 | 750,000 |
| DP 5105 - OTBD INCREASE EXPORT TRADE PROGRAM FUNDING (OTO) | 0.00 | 50,000 | 0 | 0 | 50,000 | 0.00 | 50,000 | 0 | 0 | 50,000 |
| DP 5107 - OTBD ELIMINATE MSUN BIOFUELS APPROPRIATION HB2 | 0.00 | 0 | (200,000) | 0 | (200,000) | 0.00 | 0 | (200,000) | 0 | (200,000) |
| DP 5111 - SBDC PRIVATE REVENUE REDUCTION | 0.00 | 0 | 0 | 0 | 0 | 0.00 | 0 | (46,975) | 0 | (46,975) |
| DP 5113 - OTBD ELIMINATE MT INDIAN LANGUAGE PRESERVATION (OTO) | 0.00 | (750,000) | 0 | 0 | (750,000) | 0.00 | (750,000) | 0 | 0 | (750,000) |
| DP 5116 - OTBD TAIPEI TRADE OFFICE REESTABLISHMENT | 0.00 | 0 | 160,000 | 0 | 160,000 | 0.00 | 0 | 160,000 | 0 | 160,000 |
| DP 5117 - OTBD TAIWAN ECONOMIC DEVELOPMENT AND BUSINESS RECRUITMENT (B | 0.00 | 0 | 500,000 | 0 | 500,000 | 0.00 | 0 | 500,000 | 0 | 500,000 |
| DP 5555 - Reduce GF Budget for State Share Holiday (OTO) | 0.00 | (31,553) | 0 | 0 | (31,553) | 0.00 | 0 | 0 | 0 | 0 |
| Total | 2.00 | \$1,131,501 | \$541,337 | \$0 | \$1,672,838 | 2.00 | \$1,163,035 | \$495,318 | \$0 | \$1,658,353 |

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

DP 5101 - OTBD PRIMARY BUSINESS SECTOR TRAINING (OTO) -

The legislature adopted a one-time-only increase in general and state special revenue funds for the primary sector workforce training grant (WTG). The WTG is codified in Title 39, Chapter 11, MCA. The WTG is a state-funded program that

provides grant funds to new and existing primary sector Montana businesses for training their employees in newly created full-time and part-time jobs.

DP 5102 - OTBD INDIAN COUNTRY ECONOMIC DEVELOPMENT (OTO) -

The legislature adopted a one-time-only general fund increase for the Indian Country Economic Development (ICED) Program. The program was established to fulfill statutory obligations denoted in 90-1-132, MCA. 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.

DP 5103 - OTBD MT INDIAN LANGUAGE PRESERVATION (BIEN/OTO) -

The legislature adopted a one-time-only general fund increase for the Montana Indian Language Preservation Program (MILP). The MILP was established to address the rapid language loss of Native American languages in the state and to preserve this aspect of Montana and tribal heritage. Each tribal nation develops and makes accessible curricula, audio, and video recordings, and reference materials to assist in preserving and perpetuating Indian languages.

DP 5105 - OTBD INCREASE EXPORT TRADE PROGRAM FUNDING (OTO) -

The legislature adopted a one-time-only increase in the general fund to leverage more state trade and export promotion (STEP) grant dollars from the Federal Small Business Administration (a 3 federal:1 state match), subscription to international market data resources for consulting with clients on international markets, and increased professional development to improve staff's proficiency for counseling clients on international trade.

DP 5107 - OTBD ELIMINATE MSUN BIOFUELS APPROPRIATION HB2 -

The legislature removed the 2023 biennium HB 2 base level biofuels appropriation from the big sky trust fund paid to MSU Northern. In the 2017 and 2019 sessions the legislature added HB 2 appropriations from the big sky trust fund (BSTF) for a biofuels project at MSU Northern.

DP 5111 - SBDC PRIVATE REVENUE REDUCTION -

The legislature approved the Small Business Development Center private revenue reduction. There is no new revenue coming into this fund. The department will deplete the fund balance in FY 2021.

DP 5113 - OTBD ELIMINATE MT INDIAN LANGUAGE PRESERVATION (OTO) -

The legislature adopted a transfer of funding for Montana Indian Language Preservation from the Department of Commerce to the Office of Public Instruction.

DP 5116 - OTBD TAIPEI TRADE OFFICE REESTABLISHMENT -

The legislature adopted an increase in state special revenue to reestablish the Taipei, Taiwan Trade Office and to provide for business attraction.

DP 5117 - OTBD TAIWAN ECONOMIC DEVELOPMENT AND BUSINESS RECRUITMENT (B -

The legislature approved an increase in state special revenue funding for the Taiwan office for further economic development and business recruitment.

DP 5555 - Reduce GF Budget for State Share Holiday (OTO) -

The legislature adopted an elimination of the state share contribution to the state employee group benefit plan for two months. This change package removes the general fund portion of the savings generated by the suspension of the contributions. Savings from other funding sources, if applicable, remain in agency personal services budgets.

Program Budget Comparison

The following table compares the 2021 biennium appropriated budget and the 2023 biennium adopted budget by type of expenditure and source of funding.

| Program Budget Comparison | | | | |
|--------------------------------|---------------------------|--------------------------|--------------------|-------------------|
| Budget Item | Appropriated Budget 20-21 | Legislative Budget 22-23 | Biennium Change | Biennium % Change |
| Personal Services | 4,501,800 | 4,415,914 | (85,886) | (1.91)% |
| Operating Expenses | 3,988,617 | 4,263,086 | 274,469 | 6.88 % |
| Grants | 41,842,842 | 41,815,504 | (27,338) | (0.07)% |
| Debt Service | 1,950 | 0 | (1,950) | (100.00)% |
| Total Expenditures | \$50,335,209 | \$50,494,504 | \$159,295 | 0.32 % |
| General Fund | 1,853,585 | 1,886,127 | 32,542 | 1.76 % |
| State/Other Special Rev. Funds | 9,169,348 | 9,643,841 | 474,493 | 5.17 % |
| Federal Spec. Rev. Funds | 39,312,276 | 38,964,536 | (347,740) | (0.88)% |
| Total Funds | \$50,335,209 | \$50,494,504 | \$159,295 | 0.32 % |
| Total Ongoing | \$50,335,209 | \$50,121,843 | (\$213,366) | (0.42)% |
| Total OTO | \$0 | \$372,661 | \$372,661 | 100.00 % |

Program Description

The Community Development Division (CDD) strengthens Montana communities by supporting sustainable development of Montana towns. The CDD works on growth and development of communities to promote affordable housing, improved public infrastructure, economic resilience, and downtown revitalization through comprehensive planning and locally determined goals and objectives.

The mission of the Community Development Division is set forth in Title 90, Chapters 1 and 6, MCA. CDD is funded primarily through federal funds and state special revenue account grant programs with additional direct appropriations provided in HB 2. CDD administers seven programs directly:

- Community Development Block Grant Program (CDBG)
- Community Technical Assistance Program (CTAP)
- HOME Investment Partnerships Program (HOME)
- Montana Main Street Program
- Housing Trust Fund
- Historic Preservation Grant Program
- Broadband for Montana Schools Program
- Treasure State Endowment Program (TSEP)

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

- Montana Coal Board
- Montana Hard Rock Mining Impact Board

Program Highlights

| Community Development Division Major Budget Highlights |
|---|
| <ul style="list-style-type: none"> • The legislature adopted an increase in the Community Development Division's 2023 biennium appropriation of approximately \$159,000 or 0.3% compared to the 2021 biennium appropriation. Changes included: <ul style="list-style-type: none"> ◦ Adjustments due to the statewide present law adjustments for personal services, fixed costs and inflation/deflation ◦ Increases in state special revenue for the Delivering Local Assistance and the Historic Preservation Grant Programs |

Program Actuals and Budget Comparison

The following table compares FY 2020 actual expenditures to the 2021 biennium appropriated budget and the 2023 biennium adopted budget by year, type of expenditure, and source of funding.

| Program Actuals and Budget Comparison | | | | | |
|---------------------------------------|------------------------|------------------------|------------------------|----------------------------|----------------------------|
| Budget Item | Actuals Fiscal 2020 | Approp. Fiscal 2020 | Approp. Fiscal 2021 | Legislative Fiscal 2022 | Legislative Fiscal 2023 |
| FTE | 0.00 | 25.45 | 25.45 | 27.45 | 27.45 |
| Personal Services | 1,562,011 | 2,234,942 | 2,266,858 | 2,196,455 | 2,219,459 |
| Operating Expenses | 740,885 | 1,990,137 | 1,998,480 | 2,143,652 | 2,119,434 |
| Grants | 12,628,987 | 20,919,921 | 20,922,921 | 20,907,752 | 20,907,752 |
| Debt Service | 1,950 | 1,950 | 0 | 0 | 0 |
| Total Expenditures | \$14,933,833 | \$25,146,950 | \$25,188,259 | \$25,247,859 | \$25,246,645 |
| General Fund | 908,333 | 924,638 | 928,947 | 936,979 | 949,148 |
| State/Other Special Rev. Funds | 2,359,430 | 4,570,009 | 4,599,339 | 4,823,868 | 4,819,973 |
| Federal Spec. Rev. Funds | 11,666,070 | 19,652,303 | 19,659,973 | 19,487,012 | 19,477,524 |
| Total Funds | \$14,933,833 | \$25,146,950 | \$25,188,259 | \$25,247,859 | \$25,246,645 |
| Total Ongoing | \$14,933,833 | \$25,146,950 | \$25,188,259 | \$25,070,084 | \$25,051,759 |
| Total OTO | \$0 | \$0 | \$0 | \$177,775 | \$194,886 |

Funding

The following table shows adopted program funding by source of authority.

| Department of Commerce, 60-Community Development Division | | | | | | |
|---|---------------------|--------------------------|-------------------------|---------------------|-------------------|--|
| Funding by Source of Authority | | | | | | |
| Funds | HB2 | Non-Budgeted Proprietary | Statutory Appropriation | Total All Sources | % Total All Funds | |
| 01100 General Fund | 1,886,127 | 0 | 0 | 1,886,127 | 3.71 % | |
| 02049 Hard Rock Mining | 494,450 | 0 | 368,736 | 863,186 | 8.62 % | |
| 02116 Accommodation Tax Account | 217,195 | 0 | 0 | 217,195 | 2.17 % | |
| 02218 School Facility & Tech Account | 0 | 0 | 0 | 0 | 0.00 % | |
| 02270 Treasure State Endowment | 1,626,704 | 0 | 0 | 1,626,704 | 16.25 % | |
| 02445 Coal Board | 7,305,492 | 0 | 0 | 7,305,492 | 72.96 % | |
| 02217 Historic Preservation Grants | 0 | 0 | 0 | 0 | 0.00 % | |
| State Special Total | \$9,643,841 | \$0 | \$368,736 | \$10,012,577 | 19.69 % | |
| 03059 Community Development Block | 14,934,213 | 0 | 0 | 14,934,213 | 38.33 % | |
| 03061 EDA Revolving Loan Fund | 945,974 | 0 | 0 | 945,974 | 2.43 % | |
| 03300 Home Grants | 16,523,811 | 0 | 0 | 16,523,811 | 42.41 % | |
| 03932 CDBG RLF | 566,232 | 0 | 0 | 566,232 | 1.45 % | |
| 03585 HTF | 5,994,306 | 0 | 0 | 5,994,306 | 15.38 % | |
| Federal Special Total | \$38,964,536 | \$0 | \$0 | \$38,964,536 | 76.61 % | |
| Proprietary Total | \$0 | \$0 | \$0 | \$0 | 0.00 % | |
| Total All Funds | \$50,494,504 | \$0 | \$368,736 | \$50,863,240 | | |

HB 2 Authority

General Fund

General fund appropriations comprise approximately 3.7% of HB 2 appropriations. General Fund is used to provide matching funds for the Community Development Block Grant Program and support the Community Technical Assistance Program. Approximately 50.0% of the general fund appropriation is used to fund each program.

State Special Revenue

State special revenue appropriations comprise approximately 19.1% of total HB 2 appropriations. State special revenue appropriations are primarily comprised of funding for the Coal Board and the Treasure State Endowment Program. 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 a coal using energy complex. The Treasure State Endowment Program is funded with interest earnings from the treasure state endowment fund, a sub-fund of the coal tax trust. Revenue from the income account within the trust is transferred to the state special revenue fund for administrative costs (appropriated in HB 2) and grants (typically appropriated in HB 11).

Federal Special Revenue

Federal special revenues comprise the majority of HB 2 appropriations at approximately 77.2%. The majority of the federal funds are community development block grants, Home Investment Partnership Program grants, and the Housing Trust Fund 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 2022 | Budget Fiscal 2023 | Biennium Fiscal 22-23 | Percent of Budget | Budget Fiscal 2022 | Budget Fiscal 2023 | Biennium Fiscal 22-23 | Percent of Budget |
| 2021 Base Budget | 928,947 | 928,947 | 1,857,894 | 98.50 % | 25,188,259 | 25,188,259 | 50,376,518 | 99.77 % |
| SWPL Adjustments | 20,697 | 16,267 | 36,964 | 1.96 % | (127,328) | (144,968) | (272,296) | (0.54)% |
| PL Adjustments | 4,038 | 3,934 | 7,972 | 0.42 % | 9,153 | 8,468 | 17,621 | 0.03 % |
| New Proposals | (16,703) | 0 | (16,703) | (0.89)% | 177,775 | 194,886 | 372,661 | 0.74 % |
| Total Budget | \$936,979 | \$949,148 | \$1,886,127 | | \$25,247,859 | \$25,246,645 | \$50,494,504 | |

Present Law Adjustments

The "Present Law" Adjustments table shows the changes from the base appropriation to the adopted 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 2022----- | | | | | -----Fiscal 2023----- | | | | |
| | FTE | General Fund | State Special | Federal Special | Total Funds | FTE | General Fund | State Special | Federal Special | Total Funds |
| DP 1 - Personal Services | 0.00 | 3,491 | (14,275) | (179,878) | (190,662) | 0.00 | 5,516 | (13,239) | (176,734) | (184,457) |
| DP 2 - Fixed Costs | 0.00 | 17,315 | 22,020 | 24,976 | 64,311 | 0.00 | 10,820 | 17,046 | 12,236 | 40,102 |
| DP 3 - Inflation Deflation | 0.00 | (109) | (519) | (349) | (977) | 0.00 | (69) | (326) | (218) | (613) |
| DP 4 - ServiceNow | 0.00 | (1,308) | (1,979) | (1,501) | (4,788) | 0.00 | (1,308) | (1,979) | (1,501) | (4,788) |
| DP 50 - SWPLA Fixed Cost Reductions | 0.00 | (268) | (341) | (387) | (996) | 0.00 | (678) | (1,068) | (768) | (2,514) |
| DP 6003 - CDD ADMINISTRATIVE COSTS ADJUSTMENTS HB2 | 0.00 | 5,614 | 25,145 | (15,822) | 14,937 | 0.00 | 5,920 | 25,314 | (15,464) | 15,770 |
| Grand Total All Present Law Adjustments | 0.00 | \$24,735 | \$30,051 | (\$172,961) | (\$118,175) | 0.00 | \$20,201 | \$25,748 | (\$182,449) | (\$136,500) |

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

DP 1 - Personal Services -

The legislature made adjustments to the present law personal services budget for expected changes, management decisions, and budget modifications.

DP 2 - Fixed Costs -

The legislature adopted adjustments to fixed costs assessed by other agencies within state government for the services they provide. Examples include the following: warrant writer, motor pool, etc.

DP 3 - Inflation Deflation -

The legislature adopted adjustments to reflect budgetary changes generated from the application of inflation and deflation factors to specific expenditure accounts. Affected accounts include food, postage, gasoline, and others.

DP 4 - ServiceNow -

The legislature adopted a decrease in funding because of the purchase of ServiceNow licenses and programs for the 2023 biennium. The legislature is anticipating operating efficiencies and other savings by using ServiceNow.

DP 50 - SWPLA Fixed Cost Reductions -

The legislature reduced fixed costs for warehouses, storage rooms, and information technology.

DP 6003 - CDD ADMINISTRATIVE COSTS ADJUSTMENTS HB2 -

The legislature approved the Community Development Division administrative cost adjustments. This change package includes adjustments for indirect costs paid to the Director's Office for support services provided to supported divisions, bureaus, and programs and an adjustment for the fluctuation of federal grant amounts in the Community Development Block Grant Program.

New Proposals

The New Proposals table shows new changes to spending

| New Proposals | -----Fiscal 2022----- | | | | | -----Fiscal 2023----- | | | | |
|--|-----------------------|-------------------|------------------|-----------------|------------------|-----------------------|--------------|------------------|-----------------|------------------|
| | FTE | General Fund | State Special | Federal Special | Total Funds | FTE | General Fund | State Special | Federal Special | Total Funds |
| DP 5555 - Reduce GF Budget for State Share Holiday (OTO) | 0.00 | (16,703) | 0 | 0 | (16,703) | 0.00 | 0 | 0 | 0 | 0 |
| DP 6001 - CDD CONTINUE 1.00 HB652 DLA FTE (BIEN/OTO) | 1.00 | 0 | 98,611 | 0 | 98,611 | 1.00 | 0 | 98,609 | 0 | 98,609 |
| DP 6002 - CDD 1.00 HISTORIC PRESERVATION GRANT FTE (OTO) | 1.00 | 0 | 95,867 | 0 | 95,867 | 1.00 | 0 | 96,277 | 0 | 96,277 |
| Total | 2.00 | (\$16,703) | \$194,478 | \$0 | \$177,775 | 2.00 | \$0 | \$194,886 | \$0 | \$194,886 |

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

DP 5555 - Reduce GF Budget for State Share Holiday (OTO) -

The legislature adopted an elimination of the state share contribution to the state employee group benefit plan for two months. This change package removes the general fund portion of the savings generated by the suspension of the contributions. Savings from other funding sources, if applicable, remain in agency personal services budgets.

DP 6001 - CDD CONTINUE 1.00 HB652 DLA FTE (BIEN/OTO) -

The legislature approved the continuation of funding for administration of HB 652. HB 652 was passed in the 2019 Legislative Session and appropriated \$21.5 million to the Community Development Division in the Department of Commerce for grants to local governments through the Delivering Local Assistance Program (DLA). The 1.00 FTE will support the grant program through completion.

DP 6002 - CDD 1.00 HISTORIC PRESERVATION GRANT FTE (OTO) -

The Community Development Division was tasked by the 2019 Legislature with administering the Historic Preservation Grant Program. The legislature adopted 1.00 FTE for a Historic Preservation Grant Program specialist position to standup/ staff the Historic Preservation Grant Program. The program is meant to preserve historic sites, historical societies or history museums.

Program Budget Comparison

The following table compares the 2021 biennium appropriated budget and the 2023 biennium adopted budget by type of expenditure and source of funding.

| Program Budget Comparison | | | | |
|---------------------------|---------------------------|--------------------------|--------------------|-------------------|
| Budget Item | Appropriated Budget 20-21 | Legislative Budget 22-23 | Biennium Change | Biennium % Change |
| Personal Services | 625,047 | 625,412 | 365 | 0.06 % |
| Operating Expenses | 416,557 | 437,711 | 21,154 | 5.08 % |
| Grants | 660,000 | 300,000 | (360,000) | (54.55)% |
| Transfers | 82,000 | 70,000 | (12,000) | (14.63)% |
| Debt Service | 370 | 0 | (370) | (100.00)% |
| Total Expenditures | \$1,783,974 | \$1,433,123 | (\$350,851) | (19.67)% |
| Proprietary Funds | 1,783,974 | 1,433,123 | (350,851) | (19.67)% |
| Total Funds | \$1,783,974 | \$1,433,123 | (\$350,851) | (19.67)% |

Program Description

The Facility Finance Authority (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.

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 legislature reviewed a reduction in the Facility Finance Authority’s 2023 biennium appropriation of approximately \$351,000 or 19.7% compared to the 2021 biennium appropriation. Changes included: <ul style="list-style-type: none"> ◦ A reduction in proprietary funds for administrative cost adjustments ◦ Reduced appropriations for the Energy Efficiency Program grant |

Program Actuals and Budget Comparison

The following table compares FY 2020 actual expenditures to the 2021 biennium appropriated budget and the 2023 biennium adopted budget by year, type of expenditure, and source of funding.

| Program Actuals and Budget Comparison | | | | | | |
|---------------------------------------|------------------------|------------------------|------------------------|----------------------------|----------------------------|------------------|
| Budget Item | Actuals Fiscal 2020 | Approp. Fiscal 2020 | Approp. Fiscal 2021 | Legislative Fiscal 2022 | Legislative Fiscal 2023 | |
| FTE | 0.00 | 3.00 | 3.00 | 3.00 | 3.00 | 3.00 |
| Personal Services | 303,975 | 310,350 | 314,697 | 311,772 | | 313,640 |
| Operating Expenses | 175,706 | 216,173 | 200,384 | 227,571 | | 210,140 |
| Grants | 136,139 | 330,000 | 330,000 | 150,000 | | 150,000 |
| Transfers | 28,885 | 40,000 | 42,000 | 35,000 | | 35,000 |
| Debt Service | 371 | 370 | 0 | 0 | | 0 |
| Total Expenditures | \$645,076 | \$896,893 | \$887,081 | \$724,343 | | \$708,780 |
| Proprietary Funds | 645,076 | 896,893 | 887,081 | 724,343 | | 708,780 |
| Total Funds | \$645,076 | \$896,893 | \$887,081 | \$724,343 | | \$708,780 |

Funding

The following table shows adopted program funding by source of authority.

| Department of Commerce, 71-Facility Finance Authority Funding by Source of Authority | | | | | | |
|---|------------|-----------------------------|----------------------------|----------------------|----------------------|--|
| Funds | HB2 | Non-Budgeted Proprietary | Statutory Appropriation | Total All Sources | % Total All Funds | |
| General Fund | 0 | 0 | 0 | 0 | 0.00 % | |
| State Special Total | \$0 | \$0 | \$0 | \$0 | 0.00 % | |
| Federal Special Total | \$0 | \$0 | \$0 | \$0 | 0.00 % | |
| 06015 Facilities Finance Authority | 0 | 1,433,123 | 0 | 1,433,123 | 100.00 % | |
| Proprietary Total | \$0 | \$1,433,123 | \$0 | \$1,433,123 | 100.00 % | |
| Total All Funds | \$0 | \$1,433,123 | \$0 | \$1,433,123 | | |

The Facility Finance Authority is entirely supported through non-budgeted proprietary 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 2022 | Budget Fiscal 2023 | Biennium Fiscal 22-23 | Percent of Budget | Budget Fiscal 2022 | Budget Fiscal 2023 | Biennium Fiscal 22-23 | Percent of Budget |
| 2021 Base Budget | 0 | 0 | 0 | 0.00 % | 887,081 | 887,081 | 1,774,162 | 123.80 % |
| SWPL Adjustments | 0 | 0 | 0 | 0.00 % | 19,770 | 2,817 | 22,587 | 1.58 % |
| PL Adjustments | 0 | 0 | 0 | 0.00 % | (182,508) | (181,118) | (363,626) | (25.37)% |
| New Proposals | 0 | 0 | 0 | 0.00 % | 0 | 0 | 0 | 0.00 % |
| Total Budget | \$0 | \$0 | \$0 | | \$724,343 | \$708,780 | \$1,433,123 | |

Present Law Adjustments

The "Present Law" Adjustments table shows the changes from the base appropriation to the adopted 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 2022----- | | | | | -----Fiscal 2023----- | | | | |
|---|-----------------------|--------------|---------------|-----------------|--------------------|-----------------------|--------------|---------------|-----------------|--------------------|
| | 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 | (2,925) | 0.00 | 0 | 0 | 0 | (1,057) |
| DP 2 - Fixed Costs | 0.00 | 0 | 0 | 0 | 22,749 | 0.00 | 0 | 0 | 0 | 3,908 |
| DP 3 - Inflation Deflation | 0.00 | 0 | 0 | 0 | (54) | 0.00 | 0 | 0 | 0 | (34) |
| DP 4 - ServiceNow | 0.00 | 0 | 0 | 0 | (564) | 0.00 | 0 | 0 | 0 | (564) |
| DP 50 - SWPLA Fixed Cost Reductions | 0.00 | 0 | 0 | 0 | (352) | 0.00 | 0 | 0 | 0 | (245) |
| DP 7101 - FFA ADMINISTRATIVE COSTS ADJUSTMENTS NAPROP | 0.00 | 0 | 0 | 0 | (181,592) | 0.00 | 0 | 0 | 0 | (180,309) |
| Grand Total All Present Law Adjustments | 0.00 | \$0 | \$0 | \$0 | (\$162,738) | 0.00 | \$0 | \$0 | \$0 | (\$178,301) |

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

DP 1 - Personal Services -

The legislature reviewed adjustments to the present law personal services budget for expected changes, management decisions, and budget modifications.

DP 2 - Fixed Costs -

The legislature reviewed adjustments to fixed costs assessed by other agencies within state government for the services they provide. Examples include the following: warrant writer, motor pool, etc.

DP 3 - Inflation Deflation -

The legislature reviewed adjustments to reflect budgetary changes generated from the application of inflation and deflation factors to specific expenditure accounts. Affected accounts include food, postage, gasoline, and others.

DP 4 - ServiceNow -

The legislature reviewed a decrease in funding because of the purchase of ServiceNow licenses and programs for the 2023 biennium. The legislature is anticipating operating efficiencies and other savings by using ServiceNow.

DP 50 - SWPLA Fixed Cost Reductions -

The legislature reviewed reductions to fixed costs for warehouses, storage rooms, and information technology.

DP 7101 - FFA ADMINISTRATIVE COSTS ADJUSTMENTS NAPROP -

The legislature reviewed funding for the Facility Finance Authority administrative cost adjustments. The budget includes increases for rent, accounting software, and indirect costs paid to the Director's Office for support services provided to supported divisions, bureaus, and programs. There are reductions related to the expiration of certain grant programs, and support services provided by the Board of Investment.

Other Issues

Proprietary Rates

Facility Finance Authority – 06015

HFA Loan Program – 06012

Proprietary Program Description

The Facility Finance Authority provides debt financing or refinancing at low-cost, tax-exempt interest rates through a number of 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 lend up to \$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 HFA Loan Program account
- Working Capital – 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

| Department of Commerce Facility Finance Authority Reserve Requirements as of the Beginning of FY 2021 | | |
|---|----------------------|---------------------|
| | Required | Funded |
| Capital Reserve Account A (a) | 9,643,137 | 229,800 |
| Capital Reserve Account B (b) | 928,539 | 337,544 |
| Direct Loan Program (c) | 5,936,307 | 5,936,307 |
| Working Capital Fund (d) | 1,805,748 | 1,805,748 |
| Total | <u>\$ 18,313,731</u> | <u>\$ 8,309,399</u> |
| Percent Funded | | 45.4% |
| Policy Guidelines - Minimum Funding Requirements | | |
| (a) Up to 10% of the outstanding BOI enhanced bond balance as of 7/1/2020. | | 96,431,366 |
| (b) \$5,936,307 as of 7/1/2020 plus YTD loan payments, account investment earnings. | | 5,962,304 |
| (c) 10% of the Trust Fund Loan Pool Balance as of 7/1/2020. | | 9,285,392 |
| (d) Twice the current Fiscal Year annual budget. | | 902,874 |

Proprietary Program Narrative

The following 2023 Biennium Report on Internal Service and Enterprise Funds shows the actual and budgeted expenditures and related revenues associated with the Facility Finance Authority and HFA Loan Program proprietary funds.

| 2023 Biennium Report on Internal Service and Enterprise Funds | | | | |
|---|------------------------------|----------|-------------------|----------------------------|
| Fund | Fund Name | Agency # | Agency Name | Program Name |
| 06012 | HFA Loan Program | 65010 | Dept. of Commerce | Facility Finance Authority |
| 06015 | Facilities Finance Authority | | | |

| | Actual FY 20 | Budgeted FY 21 | Adopted FY 22 | Adopted FY 23 |
|--|------------------|-------------------|------------------|------------------|
| Operating Revenues | | | | |
| Fees and Charges | | | | |
| Charges for Services | 743,934 | 673,500 | 682,000 | 675,000 |
| Investment Earnings | 155,938 | 100,000 | 125,000 | 125,000 |
| Total Operating Revenues | 899,872 | 773,500 | 807,000 | 800,000 |
| Expenses | | | | |
| Personal Services | 303,975 | 314,697 | 311,772 | 313,640 |
| Other Operating Expense | 312,216 | 530,384 | 377,571 | 360,140 |
| Total Operating Expense | 616,191 | 845,081 | 689,343 | 673,780 |
| Operating Income (Loss) | 283,681 | (71,581) | 117,657 | 126,220 |
| Transfers Out | 28,885 | 42,000 | 35,000 | 35,000 |
| Change in Net Position | 254,796 | (113,581) | 82,657 | 91,220 |
| Beginning Net Position - July 1 | 8,256,078 | 8,510,874 | 8,397,293 | 8,479,950 |
| Change in Net Position | 254,796 | (113,581) | 82,657 | 91,220 |
| Ending Net Position - June 30 | 8,510,874 | 8,397,293 | 8,479,950 | 8,571,170 |

Expenses

The total expenditure appropriations decreased by approximately \$156,000 in FY 2022 and \$171,000 in FY 2023 when compared to the FY 2021 base. Decreases in personal services are related to the statewide present law adjustments. Operating expenses are projected to decline from FY 2021 primarily due to internal efficiencies and a correction from a FY 2019 overcharge for services.

Revenues

Revenues are projected to increase in the Facility Finance Authority when compared to the FY 2021 base.

Proprietary Rates

The table below provides information on the fees charged by the Facility Finance Authority.

| Requested Rates for Internal Service Funds Fee/Rate Information | |
|--|---|
| Fee Description: | |
| Application Fee: | |
| <u>Loan Amount</u> | <u>Fee</u> |
| Up to \$5,000,000 | 30 basis points (bp) (0.0030) |
| 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: | |
| | <u>Fee</u> |
| 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 |
| Trust Fund Loan Program | 50 bp X the monthly balance (incorporated into loan interest rate) |
| Fee Revenue: 90-7-202 and 90-7-211, MCA | |
| Investment Earnings: 90-7-202, MCA | |

The Facility Finance Authority is funded with an enterprise fund, which is a type of a 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 Budget Comparison

The following table compares the 2021 biennium appropriated budget and the 2023 biennium adopted budget by type of expenditure and source of funding.

| Program Budget Comparison | | | | |
|-------------------------------|---------------------------|--------------------------|--------------------|-------------------|
| Budget Item | Appropriated Budget 20-21 | Legislative Budget 22-23 | Biennium Change | Biennium % Change |
| Personal Services | 8,671,936 | 8,856,731 | 184,795 | 2.13 % |
| Operating Expenses | 10,591,806 | 11,981,554 | 1,389,748 | 13.12 % |
| Equipment & Intangible Assets | 468,000 | 624,000 | 156,000 | 33.33 % |
| Grants | 420,000 | 0 | (420,000) | (100.00)% |
| Benefits & Claims | 97,141,979 | 101,377,157 | 4,235,178 | 4.36 % |
| Debt Service | 5,414 | 0 | (5,414) | (100.00)% |
| Total Expenditures | \$117,299,135 | \$122,839,442 | \$5,540,307 | 4.72 % |
| Proprietary Funds | 117,299,135 | 122,839,442 | 5,540,307 | 4.72 % |
| Total Funds | \$117,299,135 | \$122,839,442 | \$5,540,307 | 4.72 % |
| Total Ongoing | \$117,299,135 | \$122,839,442 | \$5,540,307 | 4.72 % |
| Total OTO | \$0 | \$0 | \$0 | 0.00 % |

Program Description

The Housing Division includes the U.S. Department of Housing and Urban Development (HUD) Section 8 Housing Programs and the Board of Housing and its programs. Together, these programs are known as Montana Housing.

The Montana Housing Act of 1975 created the Montana Board of Housing (board). The board is an agency of the state and operates within the Department of Commerce for administrative purposes. The 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 policy direction to the agency staff, authorizes bond issues, approves development financing, and evaluates Board of Housing programs.

The Board of Housing is funded by five enterprise funds, with revenues derived from an administrative charge applied to the projects and mortgages financed. Under the Montana Housing Act of 1975, the board does not receive any general fund and is completely self-supporting.

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

Program Highlights

| Housing Division Major Budget Highlights |
|---|
| <ul style="list-style-type: none"> • The legislature reviewed an increase in the Housing Division’s 2023 biennium appropriation of approximately \$5.5 million or 4.7% compared to the 2021 biennial appropriation. Changes included: <ul style="list-style-type: none"> ◦ An increase in non-budgeted proprietary funds for adjustments for personal services and indirect costs paid to the Director’s Office for support services ◦ An increase in non-budgeted proprietary funds due to the adoption of 3.00 new FTE for the Multi-Family Housing, Single Family Housing, and Housing Choice Voucher (HVC) Programs |

Program Actuals and Budget Comparison

The following table compares FY 2020 actual expenditures to the 2021 biennium appropriated budget and the 2023 biennium adopted budget by year, type of expenditure, and source of funding.

| Program Actuals and Budget Comparison | | | | | |
|---------------------------------------|------------------------|------------------------|------------------------|----------------------------|----------------------------|
| Budget Item | Actuals Fiscal 2020 | Approp. Fiscal 2020 | Approp. Fiscal 2021 | Legislative Fiscal 2022 | Legislative Fiscal 2023 |
| FTE | 0.00 | 55.33 | 55.33 | 58.33 | 58.33 |
| Personal Services | 4,169,894 | 4,344,735 | 4,327,201 | 4,421,555 | 4,435,176 |
| Operating Expenses | 4,414,277 | 5,404,313 | 5,187,493 | 6,017,355 | 5,964,199 |
| Equipment & Intangible Assets | 0 | 156,000 | 312,000 | 312,000 | 312,000 |
| Grants | 230,027 | 420,000 | 0 | 0 | 0 |
| Benefits & Claims | 44,805,061 | 47,705,100 | 49,436,879 | 50,261,722 | 51,115,435 |
| Debt Service | 5,414 | 5,414 | 0 | 0 | 0 |
| Total Expenditures | \$53,624,673 | \$58,035,562 | \$59,263,573 | \$61,012,632 | \$61,826,810 |
| Proprietary Funds | 53,624,673 | 58,035,562 | 59,263,573 | 61,012,632 | 61,826,810 |
| Total Funds | \$53,624,673 | \$58,035,562 | \$59,263,573 | \$61,012,632 | \$61,826,810 |
| Total Ongoing | \$53,624,673 | \$58,035,562 | \$59,263,573 | \$61,012,632 | \$61,826,810 |
| Total OTO | \$0 | \$0 | \$0 | \$0 | \$0 |

Funding

The following table shows adopted program funding by source of authority.

| Department of Commerce, 74-Housing Division Funding by Source of Authority | | | | | | |
|---|------------|-----------------------------|----------------------------|----------------------|----------------------|--|
| Funds | HB2 | Non-Budgeted Proprietary | Statutory Appropriation | Total All Sources | % Total All Funds | |
| General Fund | 0 | 0 | 0 | 0 | 0.00 % | |
| State Special Total | \$0 | \$0 | \$0 | \$0 | 0.00 % | |
| 03180 CARES Submittable SW | 0 | 0 | 0 | 0 | 0.00 % | |
| 03233 CARES ACT Housing Grants | 0 | 0 | 0 | 0 | 0.00 % | |
| Federal Special Total | \$0 | \$0 | \$0 | \$0 | 0.00 % | |
| 06030 BOH Financial Program Fund | 0 | 6,716,030 | 0 | 6,716,030 | 5.47 % | |
| 06031 Housing Trust Fund | 0 | 20,000 | 0 | 20,000 | 0.02 % | |
| 06032 Mortgage Loan Servicing | 0 | 4,147,342 | 0 | 4,147,342 | 3.38 % | |
| 06074 SEC 8 Project Based | 0 | 52,461,543 | 0 | 52,461,543 | 42.71 % | |
| 06075 Section 8 Vouchers | 0 | 54,283,149 | 0 | 54,283,149 | 44.19 % | |
| 06078 Housing Montana Fund | 0 | 20,000 | 0 | 20,000 | 0.02 % | |
| 06079 Revolving Loan Fund - TANF | 0 | 20,000 | 0 | 20,000 | 0.02 % | |
| 06085 Section 8 Mod Rehab | 0 | 5,171,378 | 0 | 5,171,378 | 4.21 % | |
| Proprietary Total | \$0 | \$122,839,442 | \$0 | \$122,839,442 | 100.00 % | |
| Total All Funds | \$0 | \$122,839,442 | \$0 | \$122,839,442 | | |

Non-Budgeted Proprietary Funding

The Housing Division is funded entirely by proprietary 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 2022 | Budget Fiscal 2023 | Biennium Fiscal 22-23 | Percent of Budget | Budget Fiscal 2022 | Budget Fiscal 2023 | Biennium Fiscal 22-23 | Percent of Budget |
| 2021 Base Budget | 0 | 0 | 0 | 0.00 % | 59,263,573 | 59,263,573 | 118,527,146 | 96.49 % |
| SWPL Adjustments | 0 | 0 | 0 | 0.00 % | 104,317 | (15,071) | 89,246 | 0.07 % |
| PL Adjustments | 0 | 0 | 0 | 0.00 % | 1,376,921 | 2,306,556 | 3,683,477 | 3.00 % |
| New Proposals | 0 | 0 | 0 | 0.00 % | 267,821 | 271,752 | 539,573 | 0.44 % |
| Total Budget | \$0 | \$0 | \$0 | | \$61,012,632 | \$61,826,810 | \$122,839,442 | |

Present Law Adjustments

The "Present Law" Adjustments table shows the changes from the base appropriation to the adopted 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 2022----- | | | | | | -----Fiscal 2023----- | | | | |
| 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 | (99,388) | 0.00 | 0 | 0 | 0 | (88,366) | |
| DP 2 - Fixed Costs | | | | | | | | | | |
| 0.00 | 0 | 0 | 0 | 205,344 | 0.00 | 0 | 0 | 0 | 74,324 | |
| DP 3 - Inflation Deflation | | | | | | | | | | |
| 0.00 | 0 | 0 | 0 | (1,639) | 0.00 | 0 | 0 | 0 | (1,029) | |
| DP 4 - ServiceNow | | | | | | | | | | |
| 0.00 | 0 | 0 | 0 | (10,975) | 0.00 | 0 | 0 | 0 | (10,975) | |
| DP 50 - SWPLA Fixed Cost Reductions | | | | | | | | | | |
| 0.00 | 0 | 0 | 0 | (3,177) | 0.00 | 0 | 0 | 0 | (4,660) | |
| DP 7403 - HD ADMINISTRATIVE COSTS ADJUSTMENTS NAPROP | | | | | | | | | | |
| 0.00 | 0 | 0 | 0 | 45,368 | 0.00 | 0 | 0 | 0 | 46,670 | |
| DP 7404 - HD SECTION 8 HOUSING ASSISTANCE ADJUSTMENTS NAPROP | | | | | | | | | | |
| 0.00 | 0 | 0 | 0 | 1,345,705 | 0.00 | 0 | 0 | 0 | 2,275,521 | |
| Grand Total All Present Law Adjustments | | | | | | | | | | |
| 0.00 | \$0 | \$0 | \$0 | \$1,481,238 | 0.00 | \$0 | \$0 | \$0 | \$2,291,485 | |

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

DP 1 - Personal Services -

The legislature reviewed adjustments to the present law personal services budget for expected changes, management decisions, and budget modifications.

DP 2 - Fixed Costs -

The legislature reviewed adjustments to fixed costs assessed by other agencies within state government for the services they provide. Examples include the following: warrant writer, motor pool, etc.

DP 3 - Inflation Deflation -

The legislature reviewed adjustments to reflect budgetary changes generated from the application of inflation and deflation factors to specific expenditure accounts. Affected accounts include food, postage, gasoline, and others.

DP 4 - ServiceNow -

The legislature reviewed a decrease in funding because of the purchase of ServiceNow licenses and programs for the 2023 biennium. The legislature is anticipating operating efficiencies and other savings by using ServiceNow.

DP 50 - SWPLA Fixed Cost Reductions -

The legislature reduced fixed costs for warehouses, storage rooms, and information technology.

DP 7403 - HD ADMINISTRATIVE COSTS ADJUSTMENTS NAPROP -

The legislature reviewed an adjustment for personal services for recruitment of a new operations manager, and market rate pay adjustment for the quality control specialist. This change package also adjusts for indirect costs paid to the Director's Office for support services provided to supported divisions, bureaus, and programs.

DP 7404 - HD SECTION 8 HOUSING ASSISTANCE ADJUSTMENTS NAPROP -

The legislature reviewed an adjustment for personal services for recruitment of a new operations manager. This change

also adjusts for indirect costs paid to the Director's Office for support services provided to supported divisions, bureaus, and programs; increases project based section 8 housing assistance payments based on HUD's fair market rents which traditionally increase each year; increases contracted services in Tenant Based Section 8 program; and increases administrative services for Veterans Affairs Supportive Housing Program and higher administrative fee rates paid by HUD.

New Proposals

The New Proposals table shows new changes to spending

| New Proposals | -----Fiscal 2022----- | | | | | -----Fiscal 2023----- | | | | |
|---|-----------------------|--------------|---------------|-----------------|------------------|-----------------------|--------------|---------------|-----------------|------------------|
| | FTE | General Fund | State Special | Federal Special | Total Funds | FTE | General Fund | State Special | Federal Special | Total Funds |
| DP 7401 - BOH 1.00 COMPLIANCE SPECIALIST FTE NAPROP | 1.00 | 0 | 0 | 0 | 89,358 | 1.00 | 0 | 0 | 0 | 90,608 |
| DP 7402 - HD SINGLE FAMILY & TENANT BASED SECT 8 FTE NAPROP | 2.00 | 0 | 0 | 0 | 178,463 | 2.00 | 0 | 0 | 0 | 181,144 |
| Total | 3.00 | \$0 | \$0 | \$0 | \$267,821 | 3.00 | \$0 | \$0 | \$0 | \$271,752 |

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

DP 7401 - BOH 1.00 COMPLIANCE SPECIALIST FTE NAPROP -

In FY 2021 the Board of Housing in the Housing Division established 1.00 FTE for a multifamily compliance specialist to address the workload increase within the Multifamily Program. An increased workload in the Multifamily Program has occurred over the last few years. In December of 2002, Congress increased the amount of federal tax credits that State Housing Finance Agencies could allocate in 2003. The legislature reviewed including this FTE as permanent.

DP 7402 - HD SINGLE FAMILY & TENANT BASED SECT 8 FTE NAPROP -

The legislature reviewed including an additional 1.00 FTE for the Board of Housing due to increases in workload in the homeownership work unit for single family housing. In order to implement new programs, to remain compliant with mortgage industry regulations and program requirements, and to keep up with the increase in workload created by the higher volume of loans to Montana homebuyers, an additional 1.00 FTE has been adopted.

The legislature reviewed including an additional 1.00 FTE for the Rental Assistance Bureau (tenant-based section 8) due to increases in workload in the Housing Choice Voucher (HCV) Program. The additional 1.00 FTE is to provide services to vulnerable populations, to accommodate for an increase in workload created by HUD's requirements and reporting, and to file audit reviews.

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 – 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.

The Board of Housing is funded by enterprise funds with revenues derived from an administrative charge applied to projects and mortgages financed.

Proprietary Program Narrative

The following 2023 Biennium Report on Internal Service and Enterprise funds shows the actual and budgeted expenditures and related revenues associated with the Montana Board of Housing's proprietary funds.

| 2023 Biennium Report on Internal Service and Enterprise Funds | | | | |
|---|----------------------------|--------------------|--------------------|--------------------|
| Agency # | Agency Name: | Program Name: | | |
| 65010 | Department of Commerce | Housing Division | | |
| Fund | Fund Name | Actual | Budgeted | Adopted |
| | | FY 20 | FY 21 | FY 22 |
| | | | | Adopted |
| | | | | FY 23 |
| 06030 | BOH Financial Program Fund | | | |
| 06078 | Housing Montana Fund | | | |
| 06079 | Revolving Loan Fund - TANF | | | |
| 06032 | Mortgage Loan Servicing | | | |
| 06031 | Housing Trust Fund | | | |
| Operating Revenues | | | | |
| Fees and Charges | | | | |
| Charges for Services | | 3,189,758 | 4,200,469 | 4,536,507 |
| Investment Earnings | | 25,141,594 | 23,932,656 | 26,086,595 |
| Other Operating Revenue | | - | 520,000 | 520,000 |
| Total Operating Revenues | | 28,331,352 | 28,653,125 | 31,143,102 |
| Expenses | | | | |
| Personal Services | | 2,574,873 | 2,618,389 | 2,685,943 |
| Other Operating Expense | | 2,114,813 | 2,600,686 | 2,808,676 |
| Debt Service | | 21,044,085 | 23,043,112 | 25,132,676 |
| Total Operating Expense | | 25,733,771 | 28,262,187 | 30,627,295 |
| Operating Income (Loss) | | 2,597,581 | 390,938 | 515,807 |
| Change in Net Position | | 2,597,581 | 390,938 | 515,807 |
| Beginning Net Position - July 1 | | 159,358,355 | 161,954,766 | 162,345,704 |
| Prior Period Adjustments | | (1,170) | - | - |
| Change in Net Position | | 2,597,581 | 390,938 | 515,807 |
| Ending Net Position - June 30 | | 161,954,766 | 162,345,704 | 162,861,511 |

Expenses

In the Board of Housing, the legislature reviewed an increase in personal services and operating expenses in the Board of Housing and did not have any comments. This includes:

- Personal services – Proprietary funding for 2.00 FTE due to the increased workload in the Homeownership Work Unit and the Housing Choice Voucher Program
- Operating expenses – Increases in operating expenses are primarily due to the statewide present law adjustment for fixed costs, including audit fees. Additionally, there was an increase in operating costs associated with the added FTE in NP 7401 and NP 4702, as well as an increase in the rate charged by the Director's Office for support services

In the Loan Servicing Program, the legislature reviewed an increase in expenditures in personal services and operating expenses and did not have any comments. This includes:

- Personal services – Increases are primarily due to the statewide present law adjustment
- Operating expenses – Increases are primarily due to the statewide present law adjustment for fixed costs, which includes audit fees, as well as an increase in the rate charged by the Director's Office for support services

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 the Board of Housing is required to hold bond and program moneys not yet used to buy mortgages and pay bondholders. Both future mortgage and investment income depends 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 Enterprise Funds | | | | | |
|---|---|-----------------|-------------------|-------------------|-------------------|
| Fee/Rate Information | | | | | |
| Fee | | Actual FY 20 | Budgeted FY 21 | Approved FY 22 | Approved FY 23 |
| 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 | \$1,500 | \$1,500 | \$1,500 |
| 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 |

The Board of Housing 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 – 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 Narrative

The following 2023 Biennium Report on Internal Service and Enterprise funds shows the actual and budgeted expenditures and related revenues associated with the Project Based Section 8 Program proprietary fund.

| 2023 Biennium Report on Internal Service and Enterprise Funds | | | | |
|---|------------------------|---------------------|-------------------|-------------------|
| Agency # | Agency Name: | Program Name: | | |
| 65010 | Department of Commerce | Housing Division | | |
| | Fund | Fund Name | | |
| | 06074 | SEC 8 Project Based | | |
| | | Actual | Budgeted | Adopted |
| | | FY 20 | FY 21 | FY 22 |
| | | | | Adopted |
| | | | | FY 23 |
| Operating Revenues | | | | |
| Fees and Charges | | | | |
| Investment Earnings | | 65,927 | 57,052 | 65,915 |
| Federal Sources | | 23,889,019 | 24,295,257 | 25,145,591 |
| Total Operating Revenues | | 23,954,946 | 24,352,309 | 25,211,506 |
| Expenses | | | | |
| Personal Services | | 843,625 | 847,890 | 830,493 |
| Other Operating Expense | | 23,355,502 | 24,120,716 | 24,984,306 |
| Total Operating Expense | | 24,199,127 | 24,968,606 | 25,814,799 |
| Operating Income (Loss) | | (244,181) | (616,297) | (603,293) |
| Change in Net Position | | (244,181) | (616,297) | (603,293) |
| Beginning Net Position - July 1 | | 4,075,039 | 3,830,858 | 3,214,561 |
| Change in Net Position | | (244,181) | (616,297) | (603,293) |
| Ending Net Position - June 30 | | 3,830,858 | 3,214,561 | 2,611,268 |
| Net Position (Fund Balance) Analysis | | | | |
| Restricted Net Pos(Enterprise Fund Only) | | 3,830,858 | 3,214,561 | 2,611,268 |
| | | | | 2,036,840 |

Expenses

The legislature reviewed an increase in personal services and benefits and claims and did not have any comments. The decrease in personal services is due to the statewide present law adjustment for personal services. The increase in benefits and claims is based on the U.S. Department of Housing and Urban Development’s 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 proposal. 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 Enterprise Funds | | | | |
|---|-----------------|-------------------|------------------|------------------|
| Fee/Rate Information | | | | |
| | Actual FY 20 | Budgeted FY 21 | Adopted FY 22 | Adopted FY 23 |
| Administration Contract Rate | 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 Rate | 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 Rate | 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. | | | | |

The Project Based Section 8 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 – Tenant Based – 06075

HUD Section 8 – Mod Rehab – 06085

Proprietary Program Description

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 Narrative

The following 2023 Biennium Report on Internal Service and Enterprise Funds shows the actual and budgeted expenditures and related revenues associated with the Tenant Based Section 8 Program proprietary fund.

| 2023 Biennium Report on Internal Service and Enterprise Funds | | | | |
|---|--|---------------------|------------------|------------|
| Agency # | Agency Name: | | Program Name: | |
| 65010 | Department of Commerce | | Housing Division | |
| | Fund | Fund Name | | |
| | 06085 | Section 8 Mod Rehab | | |
| | 06075 | Section 8 Vouchers | | |
| | | | Actual | Budgeted |
| | | | FY 20 | FY 21 |
| | | | Adopted | Adopted |
| | | | FY 22 | FY 23 |
| Operating Revenues | | | | |
| Fees and Charges | | | | |
| | Investment Earnings | | 76,895 | 64,858 |
| | Federal Sources | | 25,323,549 | 28,931,190 |
| Total Operating Revenues | | | 30,020,676 | 31,068,709 |
| Expenses | | | | |
| | Personal Services | | 751,396 | 860,922 |
| | Other Operating Expense | | 23,981,637 | 28,214,970 |
| Total Operating Expense | | | 29,703,214 | 29,751,313 |
| Operating Income (Loss) | | | 317,462 | 1,317,396 |
| Change in Net Position | | | 317,462 | 1,317,396 |
| Beginning Net Position - July 1 | | | 5,068,481 | 5,385,943 |
| | Change in Net Position | | 317,462 | 1,317,396 |
| Ending Net Position - June 30 | | | 5,385,943 | 6,703,339 |
| Net Position (Fund Balance) Analysis | | | | |
| | Restricted Net Pos(Enterprise Fund Only) | | 5,385,943 | 6,703,339 |

Expenses

The legislature reviewed increases in personal services and operating expenses and did not have any comments. These changes are due to the following:

- Proprietary funding for 1.00 FTE for a multi-family compliance specialist
- Operating expense increased primarily due to an increase in contract costs for administrative services for the

Veterans Affairs Supportive Housing Program and higher administrative fees paid by HUD. Other increases are due to the statewide present law adjustment for fixed costs, including audit fees and the increase in the supportive service rate charged by the Director’s Office

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, and 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 the Tenant Based Section 8 Program.

| Requested Rates for Enterprise Funds Fee/Rate Information | | | | |
|---|-----------------|-------------------|------------------|------------------|
| | Actual FY 20 | Budgeted FY 21 | Adopted FY 22 | Adopted FY 23 |
| Administration Contract Rate | \$83.48 | \$86.40 | \$89.42 | \$92.54 |
| Base fee rate paid by HUD = \$83.48 (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 \$89.44 per lease per month (HUD's column A rate, no proration). Estimate increases of 3.5% per year for FY 2021, FY 2022 and FY 2023 | | | | |
| Rents Contract Rate | 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. | | | | |

The Tenant Based Section 8 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 Budget Comparison

The following table compares the 2021 biennium appropriated budget and the 2023 biennium adopted budget by type of expenditure and source of funding.

| Program Budget Comparison | | | | |
|---------------------------|---------------------------|--------------------------|------------------|-------------------|
| Budget Item | Appropriated Budget 20-21 | Legislative Budget 22-23 | Biennium Change | Biennium % Change |
| Personal Services | 8,580,669 | 8,594,495 | 13,826 | 0.16 % |
| Operating Expenses | 6,665,484 | 7,040,284 | 374,800 | 5.62 % |
| Debt Service | 2,099 | 0 | (2,099) | (100.00)% |
| Total Expenditures | \$15,248,252 | \$15,634,779 | \$386,527 | 2.53 % |
| Proprietary Funds | 15,248,252 | 15,634,779 | 386,527 | 2.53 % |
| Total Funds | \$15,248,252 | \$15,634,779 | \$386,527 | 2.53 % |

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 (Board), by law, invests the Unified Investment Program. Local governments may also invest with the Board. As of June 30, 2018, the Board managed over \$18.5 billion in pension funds, trust funds, insurance reserves, state operating funds, and certain local government funds. To facilitate management of the Unified Investment Program, a combination of investment pools and separate accounts are utilized to meet the financial goals and expectations of the agencies and 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 severance 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 tax-exempt 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 Investments Major Budget Highlights |
|--|
| <ul style="list-style-type: none"> The legislature reviewed an increase in the Board of Investments' 2023 biennium appropriation of approximately \$387,000 or 2.5% compared to the 2021 biennial appropriation. Changes included an increase in non-budgeted proprietary funds due to statewide present law adjustments for fixed costs and an administrative costs adjustment |

Program Actuals and Budget Comparison

The following table compares FY 2020 actual expenditures to the 2021 biennium appropriated budget and the 2023 biennium adopted budget by year, type of expenditure, and source of funding.

| Program Actuals and Budget Comparison | | | | | |
|---------------------------------------|------------------------|------------------------|------------------------|----------------------------|----------------------------|
| Budget Item | Actuals Fiscal 2020 | Approp. Fiscal 2020 | Approp. Fiscal 2021 | Legislative Fiscal 2022 | Legislative Fiscal 2023 |
| FTE | 0.00 | 32.00 | 32.00 | 33.00 | 33.00 |
| Personal Services | 4,089,325 | 4,248,536 | 4,332,133 | 4,292,466 | 4,302,029 |
| Operating Expenses | 2,977,251 | 3,381,160 | 3,284,324 | 3,538,629 | 3,501,655 |
| Debt Service | 2,100 | 2,099 | 0 | 0 | 0 |
| Total Expenditures | \$7,068,676 | \$7,631,795 | \$7,616,457 | \$7,831,095 | \$7,803,684 |
| Proprietary Funds | 7,068,676 | 7,631,795 | 7,616,457 | 7,831,095 | 7,803,684 |
| Total Funds | \$7,068,676 | \$7,631,795 | \$7,616,457 | \$7,831,095 | \$7,803,684 |

Funding

The following table shows adopted program funding by source of authority.

| Department of Commerce, 75-Board of Investments Funding by Source of Authority | | | | | |
|---|------------|-----------------------------|----------------------------|----------------------|----------------------|
| Funds | HB2 | Non-Budgeted Proprietary | Statutory Appropriation | Total All Sources | % Total All Funds |
| General Fund | 0 | 0 | 0 | 0 | 0.00 % |
| State Special Total | \$0 | \$0 | \$0 | \$0 | 0.00 % |
| 03048 BOI Montana Loan Deferment Pro | 0 | 0 | 0 | 0 | 0.00 % |
| Federal Special Total | \$0 | \$0 | \$0 | \$0 | 0.00 % |
| 06014 BOI Municipal Finance Programs | 0 | 1,297,162 | 4,160,902 | 5,458,064 | 27.57 % |
| 06527 Investment Division | 0 | 14,337,617 | 0 | 14,337,617 | 72.43 % |
| Proprietary Total | \$0 | \$15,634,779 | \$4,160,902 | \$19,795,681 | 100.00 % |
| Total All Funds | \$0 | \$15,634,779 | \$4,160,902 | \$19,795,681 | |

The Board of Investments is entirely supported through non-budgeted proprietary funds and statutory appropriations.

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 2022 | Budget Fiscal 2023 | Biennium Fiscal 22-23 | Percent of Budget | Budget Fiscal 2022 | Budget Fiscal 2023 | Biennium Fiscal 22-23 | Percent of Budget | |
| 2021 Base Budget | 0 | 0 | 0 | 0.00 % | 7,616,457 | 7,616,457 | 15,232,914 | 97.43 % | |
| SWPL Adjustments | 0 | 0 | 0 | 0.00 % | 95,393 | (37,546) | 57,847 | 0.37 % | |
| PL Adjustments | 0 | 0 | 0 | 0.00 % | 120,523 | 226,066 | 346,589 | 2.22 % | |
| New Proposals | 0 | 0 | 0 | 0.00 % | (1,278) | (1,293) | (2,571) | (0.02)% | |
| Total Budget | \$0 | \$0 | \$0 | | \$7,831,095 | \$7,803,684 | \$15,634,779 | | |

Present Law Adjustments

The "Present Law" Adjustments table shows the changes from the base appropriation to the adopted 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 2022----- | | | | | -----Fiscal 2023----- | | | | |
| | 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 | (38,389) | 0.00 | 0 | 0 | 0 | (28,811) |
| DP 2 - Fixed Costs | 0.00 | 0 | 0 | 0 | 133,952 | 0.00 | 0 | 0 | 0 | (8,629) |
| DP 3 - Inflation Deflation | 0.00 | 0 | 0 | 0 | (170) | 0.00 | 0 | 0 | 0 | (106) |
| DP 4 - ServiceNow | 0.00 | 0 | 0 | 0 | (6,208) | 0.00 | 0 | 0 | 0 | (6,208) |
| DP 50 - SWPLA Fixed Cost Reductions | 0.00 | 0 | 0 | 0 | (2,073) | 0.00 | 0 | 0 | 0 | 541 |
| DP 7502 - BOI ADMINISTRATIVE COSTS ADJUSTMENTS NAPROP | 0.00 | 0 | 0 | 0 | 128,804 | 0.00 | 0 | 0 | 0 | 231,733 |
| Grand Total All Present Law Adjustments | 0.00 | \$0 | \$0 | \$0 | \$215,916 | 0.00 | \$0 | \$0 | \$0 | \$188,520 |

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

DP 1 - Personal Services -

The legislature reviewed adjustments to the present law personal services budget for expected changes, management decisions, and budget modifications.

DP 2 - Fixed Costs -

The legislature reviewed adjustments to fixed costs assessed by other agencies within state government for the services they provide. Examples include the following: warrant writer, motor pool, etc.

DP 3 - Inflation Deflation -

The legislature reviewed adjustments to reflect budgetary changes generated from the application of inflation and deflation factors to specific expenditure accounts. Affected accounts include food, postage, gasoline, and others.

DP 4 - ServiceNow -

The legislature reviewed a decrease in funding because of the purchase of ServiceNow licenses and programs for the 2023 biennium. The legislature is anticipating operating efficiencies and other savings by using ServiceNow.

DP 50 - SWPLA Fixed Cost Reductions -

The legislature reviewed adjustments to fixed costs for warehouses, storage rooms, and information technology.

DP 7502 - BOI ADMINISTRATIVE COSTS ADJUSTMENTS NAPROP -

Based on historical trends, operational costs have increased 3.0% per year for items including contracted services, travel, rent, and indirect costs. The legislature reviewed authority for the projected increases.

New Proposals

The New Proposals table shows new changes to spending

| New Proposals | -----Fiscal 2022----- | | | | | -----Fiscal 2023----- | | | | |
|--|-----------------------|--------------|---------------|-----------------|------------------|-----------------------|--------------|---------------|-----------------|------------------|
| | FTE | General Fund | State Special | Federal Special | Total Funds | FTE | General Fund | State Special | Federal Special | Total Funds |
| DP 7501 - BOI 1.00 ADMINISTRATIVE ASSISTANT FTE NAPROP | 1.00 | 0 | 0 | 0 | (1,278) | 1.00 | 0 | 0 | 0 | (1,293) |
| Total | 1.00 | \$0 | \$0 | \$0 | (\$1,278) | 1.00 | \$0 | \$0 | \$0 | (\$1,293) |

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

DP 7501 - BOI 1.00 ADMINISTRATIVE ASSISTANT FTE NAPROP -

Since June 30, 2018, the investment pool has increased by almost \$3.5 billion. In addition, the board’s accounting and investment operations have continued to grow more complex. The size and diversity of the investment portfolio, participant transactions, reporting standards, outside regulatory requirements, and accounting standard changes all contribute to the increased complexity. The legislature reviewed the addition of 1.00 FTE to aid in complying with these requirements; however, proprietary fund increases for an additional FTE was offset by an increase in vacancy savings.

Other Issues

Proprietary Rates

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

- The Industrial Revenue Bond, which funds the 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. The INTERCAP Program only loans funds to eligible governmental units as defined under 17-5-1604, MCA. The Board sells tax-exempt bonds and lends the proceeds to eligible governments for various projects. Loan terms range from one to 15 years, and short-term loans to finance cash flow deficits or bridge financing are also available.

Proprietary Program Narrative

The following 2023 Biennium Report on Internal Service and Enterprise Funds shows the actual and projected expenditures and related revenues associated with the Industrial Revenue Bond proprietary fund.

| 2023 Biennium Report on Internal Service and Enterprise Funds | | | | | | | |
|---|------------------------|--------------------------------|----------------------|------------------|--------------------|------------------|--|
| Agency # | Agency Name: | | Program Name: | | | | |
| 65010 | Department of Commerce | | Board of Investments | | | | |
| | Fund | Fund Name | Actual | Budgeted | Budgeted | Budgeted | |
| | 06014 | BOI Municipal Finance Programs | FY 20 | FY 21 | FY 22 | FY 23 | |
| Operating Revenues | | | | | | | |
| Fees and Charges | | | | | | | |
| | | Investment Earnings | 2,482,154 | 4,077,987 | 2,482,154 | 4,077,987 | |
| Total Operating Revenues | | | 2,482,154 | 4,077,987 | 2,482,154 | 4,077,987 | |
| Expenses | | | | | | | |
| | | Personal Services | 387,349 | 460,299 | 434,334 | 435,905 | |
| | | Other Operating Expense | 192,039 | 195,261 | 224,390 | 202,789 | |
| Total Operating Expense | | | 579,388 | 655,560 | 658,724 | 638,694 | |
| Operating Income (Loss) | | | 1,902,766 | 3,422,427 | 1,823,430 | 3,439,293 | |
| | | Other Expense | 2,007,982 | 3,235,394 | 3,235,394 | 3,235,394 | |
| Total Nonoperating Revenues (Expenses) | | | 2,007,982 | 3,235,394 | 3,235,394 | 3,235,394 | |
| Income (Loss) Before Contributions and Transfers | | | (105,216) | 187,033 | (1,411,964) | 203,899 | |
| | | Transfers In | 7,734 | 42,000 | 20,000 | 40,000 | |
| Change in Net Position | | | (97,482) | 229,033 | (1,391,964) | 243,899 | |
| Beginning Net Position - July 1 | | | 5,786,085 | 5,688,603 | 5,917,636 | 4,525,672 | |
| | | Prior Period Adjustments | - | - | - | - | |
| | | Change in Net Position | (97,482) | 229,033 | (1,391,964) | 243,899 | |
| Ending Net Position - June 30 | | | 5,688,603 | 5,917,636 | 4,525,672 | 4,769,571 | |

Expenses

Expenditures are increased by approximately \$3,000 in FY 2022 and decreased by approximately \$17,000 in FY 2023

compared to the FY 2021 base. Personal services expenditures are decreased by approximately \$25,000 in each fiscal year compared to the FY 2021 base, primarily due to the statewide present law adjustments. Operating expense increases of approximately \$29,000 in FY 2022 and \$8,000 in FY 2023 partially offset the decrease in personal services.

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 providing a maximum level of expenditures and setting a fee at that level. Fees for the INTERCAP Program are shown below.

| Requested Rates for Enterprise Funds | | | | |
|---|-------------------|---------------------|---------------------|---------------------|
| Fee/Rate Information | | | | |
| | Actual FY 2020 | Budgeted FY 2021 | Budgeted FY 2022 | Budgeted FY 2023 |
| Budgeted Revenues | | | | |
| Fees & Investment Revenues | \$ 2,482,154 | \$ 4,077,987 | \$ 2,482,154 | \$ 4,077,987 |

The INTERCAP Program is funded with an enterprise fund, which is a type of a 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, an internal service fund, funds the Investment Program. The Board of Investments' customers include state agencies, the university system, local governments, financial institutions, and local economic development organizations.

Proprietary Program Narrative

The following 2023 Biennium Report on Internal Service and Enterprise Funds shows the actual and projected expenditures and related revenues associated with the Investment Division proprietary fund.

| 2023 Biennium Report on Internal Service and Enterprise Funds | | | | |
|---|--------------------------|---------------------|----------------------|------------------|
| Agency # | Agency Name: | | Program Name: | |
| 65010 | Department of Commerce | | Board of Investments | |
| | Fund | Fund Name | | |
| | 06527 | Investment Division | | |
| | | | Actual | Budgeted |
| | | | FY 20 | FY 21 |
| | | | Adopted | Adopted |
| | | | FY 22 | FY 23 |
| Operating Revenues | | | | |
| Fees and Charges | | | | |
| | Charges for Services | | 7,253,787 | 7,253,787 |
| | Other Operating Revenues | | 42 | - |
| Total Operating Revenues | | | 7,253,829 | 7,253,787 |
| Expenses | | | | |
| | Personal Services | | 3,701,976 | 3,871,834 |
| | Other Operating Expense | | 2,787,312 | 3,089,063 |
| Total Operating Expense | | | 6,489,288 | 6,960,897 |
| Operating Income (Loss) | | | 764,541 | 292,890 |
| Income (Loss) Before Contributions and Transfers | | | 764,541 | 292,890 |
| Change in Net Position | | | 764,541 | 292,890 |
| Beginning Net Position - July 1 | | | 261,671 | 1,026,212 |
| Change in Net Position | | | 764,541 | 292,890 |
| Ending Net Position - June 30 | | | 1,026,212 | 1,319,102 |

Expenses

Total expenditures are increased by approximately \$211,000 in FY 2022 and \$204,000 in FY 2023 compared to the FY 2021 base. These increases are primarily due to statewide present law adjustments for personal services and operating expenses.

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 providing a maximum level of expenditures and setting the fee at that level.

| Requested Rates for Internal Service Funds | | | | |
|--|-------------------|-------------------|-------------------|-------------------|
| Fee/Rate Information | | | | |
| | Approved FY 20 | Approved FY 21 | Approved FY 22 | Approved FY 23 |
| BOI Administrative Fee Rate | \$ 7,253,829 | \$ 7,253,787 | \$ 7,471,401 | \$ 7,695,543 |
| Authority / Allocation Methodology: The revenue objective of the Board of Investments is to assess the costs of operations to each portfolio the Board invests while attempting to maintain a reasonable and prudent 60 day working capital reserve. | | | | |

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.

Program Budget Comparison

The following table compares the 2021 biennium appropriated budget and the 2023 biennium adopted budget by type of expenditure and source of funding.

| Program Budget Comparison | | | | |
|--------------------------------|---------------------------|--------------------------|-----------------|-------------------|
| Budget Item | Appropriated Budget 20-21 | Legislative Budget 22-23 | Biennium Change | Biennium % Change |
| Personal Services | 39,447 | 38,204 | (1,243) | (3.15)% |
| Operating Expenses | 362,585 | 363,196 | 611 | 0.17 % |
| Total Expenditures | \$402,032 | \$401,400 | (\$632) | (0.16)% |
| State/Other Special Rev. Funds | 402,032 | 401,400 | (632) | (0.16)% |
| Total Funds | \$402,032 | \$401,400 | (\$632) | (0.16)% |
| Total Ongoing | \$402,032 | \$401,400 | (\$632) | (0.16)% |
| Total OTO | \$0 | \$0 | \$0 | 0.00 % |

Program Description

The Board of Horse Racing is responsible for:

1. Regulating the live, simulcast, and advance deposit wagering horse racing industry
2. Ensuring compliance of approximately 900 licensees with state laws and board rules
3. Licensing all racing personnel, establishing race dates for various communities, and establishing veterinary practices and standards in connection with horse racing meets
4. Auditing, supervising, and conducting investigations related to the pari-mutuel racing system in Montana

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

Program Highlights

| Board of Horse Racing Major Budget Highlights |
|--|
| <ul style="list-style-type: none"> • The legislature adopted a decrease in the Board of Horse Racing's 2023 biennium appropriation of \$632 or 0.2% compared to the 2021 biennial appropriation. Changes included: <ul style="list-style-type: none"> ◦ An increase in state special revenue appropriations for the statewide present law adjustment for personal services ◦ A present law adjustment to decrease personal services to account for a contracted executive secretary position |

Program Actuals and Budget Comparison

The following table compares FY 2020 actual expenditures to the 2021 biennium appropriated budget and the 2023 biennium adopted budget by year, type of expenditure, and source of funding.

| Program Actuals and Budget Comparison | | | | | | |
|---------------------------------------|------------------------|------------------------|------------------------|----------------------------|----------------------------|------------------|
| Budget Item | Actuals Fiscal 2020 | Approp. Fiscal 2020 | Approp. Fiscal 2021 | Legislative Fiscal 2022 | Legislative Fiscal 2023 | |
| FTE | 0.00 | 1.25 | 1.25 | 1.25 | 1.25 | 1.25 |
| Personal Services | 7,760 | 18,988 | 20,459 | 19,131 | 19,073 | 19,073 |
| Operating Expenses | 92,313 | 181,297 | 181,288 | 181,602 | 181,594 | 181,594 |
| Total Expenditures | \$100,073 | \$200,285 | \$201,747 | \$200,733 | \$200,667 | \$200,667 |
| State/Other Special Rev. Funds | 100,073 | 200,285 | 201,747 | 200,733 | 200,667 | 200,667 |
| Total Funds | \$100,073 | \$200,285 | \$201,747 | \$200,733 | \$200,667 | \$200,667 |
| Total Ongoing | \$100,073 | \$200,285 | \$201,747 | \$200,733 | \$200,667 | \$200,667 |
| Total OTO | \$0 | \$0 | \$0 | \$0 | \$0 | \$0 |

Funding

The following table shows adopted program funding by source of authority.

| Department of Commerce, 78-Board of Horse Racing Funding by Source of Authority | | | | | | |
|--|------------------|-----------------------------|----------------------------|----------------------|----------------------|--|
| Funds | HB2 | Non-Budgeted Proprietary | Statutory Appropriation | Total All Sources | % Total All Funds | |
| General Fund | 0 | 0 | 0 | 0 | 0.00 % | |
| 02029 BOHR Operation Fund | 401,400 | 0 | 770,000 | 1,171,400 | 100.00 % | |
| State Special Total | \$401,400 | \$0 | \$770,000 | \$1,171,400 | 100.00 % | |
| Federal Special Total | \$0 | \$0 | \$0 | \$0 | 0.00 % | |
| Proprietary Total | \$0 | \$0 | \$0 | \$0 | 0.00 % | |
| Total All Funds | \$401,400 | \$0 | \$770,000 | \$1,171,400 | | |

The Board of Horse Racing is funded with state special revenue derived from licenses and fees, as well as the collection of a percentage of wagering on live and remote racing events.

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 2022 | Budget Fiscal 2023 | Biennium Fiscal 22-23 | Percent of Budget | Budget Fiscal 2022 | Budget Fiscal 2023 | Biennium Fiscal 22-23 | Percent of Budget |
| 2021 Base Budget | 0 | 0 | 0 | 0.00 % | 201,747 | 201,747 | 403,494 | 100.52 % |
| SWPL Adjustments | 0 | 0 | 0 | 0.00 % | 108,542 | 108,642 | 217,184 | 54.11 % |
| PL Adjustments | 0 | 0 | 0 | 0.00 % | (109,556) | (109,722) | (219,278) | (54.63)% |
| New Proposals | 0 | 0 | 0 | 0.00 % | 0 | 0 | 0 | 0.00 % |
| Total Budget | \$0 | \$0 | \$0 | | \$200,733 | \$200,667 | \$401,400 | |

Present Law Adjustments

The "Present Law" Adjustments table shows the changes from the base appropriation to the adopted 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 2022----- | | | | | -----Fiscal 2023----- | | | | |
|---|-----------------------|--------------|------------------|-----------------|------------------|-----------------------|--------------|------------------|-----------------|------------------|
| | 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 | 108,542 | 0 | 108,542 | 0.00 | 0 | 108,642 | 0 | 108,642 |
| DP 7801 - BOHR ADMINISTRATIVE COSTS ADJUSTMENTS HB2 | 0.00 | 0 | (109,556) | 0 | (109,556) | 0.00 | 0 | (109,722) | 0 | (109,722) |
| Grand Total All Present Law Adjustments | 0.00 | \$0 | (\$1,014) | \$0 | (\$1,014) | 0.00 | \$0 | (\$1,080) | \$0 | (\$1,080) |

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

DP 1 - Personal Services -

The legislature made adjustments to the present law personal services budget for expected changes, management decisions, and budget modifications.

DP 7801 - BOHR ADMINISTRATIVE COSTS ADJUSTMENTS HB2 -

The legislature adopted the Board of Horse Racing administrative cost adjustments. This change package reduces the Board of Horse Racing's 2023 biennium personal services budget to current estimates for the 2023 biennium. The Board of Horse Racing currently is contracting for its executive secretary, which is funded through an operating expense category. This change package simply removes the 2023 biennium personal services funding for the position without removing the board's executive secretary position.

Program Budget Comparison

The following table compares the 2021 biennium appropriated budget and the 2023 biennium adopted budget by type of expenditure and source of funding.

| Program Budget Comparison | | | | |
|--------------------------------|---------------------------|--------------------------|--------------------|-------------------|
| Budget Item | Appropriated Budget 20-21 | Legislative Budget 22-23 | Biennium Change | Biennium % Change |
| Personal Services | 0 | 940,000 | 940,000 | 0.00 % |
| Operating Expenses | 0 | 2,800,000 | 2,800,000 | 0.00 % |
| Capital Outlay | 0 | 800,000 | 800,000 | 0.00 % |
| Total Expenditures | \$0 | \$4,540,000 | \$4,540,000 | 0.00 % |
| State/Other Special Rev. Funds | 0 | 4,540,000 | 4,540,000 | 0.00 % |
| Total Funds | \$0 | \$4,540,000 | \$4,540,000 | 0.00 % |
| Total Ongoing | \$0 | \$4,540,000 | \$4,540,000 | 100.00 % |
| 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 Cities which comprised 248 buildings, 1.2 million American 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). MHC 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 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, 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 legislature adopted an increase in the Montana Heritage Commission's 2023 biennium HB 2 appropriation of approximately \$4.5 million. Changes included: <ul style="list-style-type: none"> ◦ A funding transfer from statutory appropriations to HB 2 ◦ An increase in state special revenue due to the adoption of a restricted, biennial appropriation for Nevada and Virginia Cities maintenance |

Program Actuals and Budget Comparison

The following table compares FY 2020 actual expenditures to the 2021 biennium appropriated budget and the 2023 biennium adopted budget by year, type of expenditure, and source of funding.

| Program Actuals and Budget Comparison | | | | | |
|---------------------------------------|------------------------|------------------------|------------------------|----------------------------|----------------------------|
| Budget Item | Actuals Fiscal 2020 | Approp. Fiscal 2020 | Approp. Fiscal 2021 | Legislative Fiscal 2022 | Legislative Fiscal 2023 |
| Personal Services | 0 | 0 | 0 | 470,000 | 470,000 |
| Operating Expenses | 0 | 0 | 0 | 1,400,000 | 1,400,000 |
| Capital Outlay | 0 | 0 | 0 | 400,000 | 400,000 |
| Total Expenditures | \$0 | \$0 | \$0 | \$2,270,000 | \$2,270,000 |
| State/Other Special Rev. Funds | 0 | 0 | 0 | 2,270,000 | 2,270,000 |
| Total Funds | \$0 | \$0 | \$0 | \$2,270,000 | \$2,270,000 |
| Total Ongoing | \$0 | \$0 | \$0 | \$2,270,000 | \$2,270,000 |
| Total OTO | \$0 | \$0 | \$0 | \$0 | \$0 |

Funding

The following table shows adopted program funding by source of authority.

| Department of Commerce, 80-Montana Heritage Commission Funding by Source of Authority | | | | | |
|--|--------------------|-----------------------------|----------------------------|----------------------|----------------------|
| Funds | HB2 | Non-Budgeted Proprietary | Statutory Appropriation | Total All Sources | % Total All Funds |
| General Fund | 0 | 0 | 0 | 0 | 0.00 % |
| 02102 Montana Heritage Commission | 2,540,000 | 0 | 0 | 2,540,000 | 55.95 % |
| 02116 Accommodation Tax Account | 2,000,000 | 0 | 0 | 2,000,000 | 44.05 % |
| State Special Total | \$4,540,000 | \$0 | \$0 | \$4,540,000 | 100.00 % |
| Federal Special Total | \$0 | \$0 | \$0 | \$0 | 0.00 % |
| Proprietary Total | \$0 | \$0 | \$0 | \$0 | 0.00 % |
| Total All Funds | \$4,540,000 | \$0 | \$0 | \$4,540,000 | |

The Montana Heritage Commission is funded entirely with HB 2 appropriations. The legislature approved appropriations of \$1.0 million in each fiscal year from the lodging facility use tax in HB 2 for the maintenance of Nevada and Virginia Cities. Previously, \$400,000 of this funding was statutorily appropriated. The remainder of the funding includes revenues from leased properties and donations from Virginia City, Nevada City, and Reeder's Alley as well as state park fees.

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 2022 | Budget Fiscal 2023 | Biennium Fiscal 22-23 | Percent of Budget | Budget Fiscal 2022 | Budget Fiscal 2023 | Biennium Fiscal 22-23 | Percent of Budget | |
| 2021 Base Budget | 0 | 0 | 0 | 0.00 % | 0 | 0 | 0 | 0.00 % | |
| SWPL Adjustments | 0 | 0 | 0 | 0.00 % | 0 | 0 | 0 | 0.00 % | |
| PL Adjustments | 0 | 0 | 0 | 0.00 % | 1,270,000 | 1,270,000 | 2,540,000 | 55.95 % | |
| New Proposals | 0 | 0 | 0 | 0.00 % | 1,000,000 | 1,000,000 | 2,000,000 | 44.05 % | |
| Total Budget | \$0 | \$0 | \$0 | | \$2,270,000 | \$2,270,000 | \$4,540,000 | | |

Present Law Adjustments

The "Present Law" Adjustments table shows the changes from the base appropriation to the adopted 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 2022----- | | | | -----Fiscal 2023----- | | | | | |
| | FTE | General Fund | State Special | Federal Special | Total Funds | FTE | General Fund | State Special | Federal Special | Total Funds |
| DP 8003 - MHC LEASED PROPERTIES & STATE PARK FEE ADJUSTMENT | 0.00 | 0 | 1,270,000 | 0 | 1,270,000 | 0.00 | 0 | 1,270,000 | 0 | 1,270,000 |
| Grand Total All Present Law Adjustments | 0.00 | \$0 | \$1,270,000 | \$0 | \$1,270,000 | 0.00 | \$0 | \$1,270,000 | \$0 | \$1,270,000 |

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

DP 8003 - MHC LEASED PROPERTIES & STATE PARK FEE ADJUSTMENT -

The legislature approved authority for the Montana Heritage Commission for revenue resulting from leased properties, donations, and the \$0.39 of the optional state parks fee that is deposited in the account established in 22-3-1004, MCA. This appropriation was set in statute, but HB 678 removed the statutory appropriation. Therefore, this change package appropriates the funding that was removed from statute in HB 2.

New Proposals

The New Proposals table shows new changes to spending

| New Proposals | | | | | | | | | | |
|--|-----------------------|--------------|--------------------|-----------------|-----------------------|-------------|--------------|--------------------|-----------------|--------------------|
| | -----Fiscal 2022----- | | | | -----Fiscal 2023----- | | | | | |
| | FTE | General Fund | State Special | Federal Special | Total Funds | FTE | General Fund | State Special | Federal Special | Total Funds |
| DP 8002 - MHC VIRGINIA AND NEVADA CITIES MAINTENANCE (Rest/Bien) | 0.00 | 0 | 1,000,000 | 0 | 1,000,000 | 0.00 | 0 | 1,000,000 | 0 | 1,000,000 |
| Total | 0.00 | \$0 | \$1,000,000 | \$0 | \$1,000,000 | 0.00 | \$0 | \$1,000,000 | \$0 | \$1,000,000 |

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

DP 8002 - MHC VIRGINIA AND NEVADA CITIES MAINTENANCE (Rest/Bien) -

The legislature approved an increase in state special revenue for the maintenance of Virginia and Nevada Cities. Lodging use facility taxes (LUFT) of \$400,000 a year were statutorily appropriated for maintenance. The legislature moved this funding into HB 2 and increased the amount of LUFT in HB 2 by \$600,000 a year.

Program Budget Comparison

The following table compares the 2021 biennium appropriated budget and the 2023 biennium adopted budget by type of expenditure and source of funding.

| Program Budget Comparison | | | | |
|---------------------------|---------------------------|--------------------------|-----------------|-------------------|
| Budget Item | Appropriated Budget 20-21 | Legislative Budget 22-23 | Biennium Change | Biennium % Change |
| Grants | 1,150,000 | 1,200,000 | 50,000 | 4.35 % |
| Total Expenditures | \$1,150,000 | \$1,200,000 | \$50,000 | 4.35 % |
| Federal Spec. Rev. Funds | 1,150,000 | 1,200,000 | 50,000 | 4.35 % |
| Total Funds | \$1,150,000 | \$1,200,000 | \$50,000 | 4.35 % |
| Total Ongoing | \$1,150,000 | \$1,200,000 | \$50,000 | 4.35 % |
| Total OTO | \$0 | \$0 | \$0 | 0.00 % |

Program Description

The Director’s Office provides overall leadership, communication, and management support to the Department of Commerce staff, programs, bureaus, divisions and administratively attached boards. The office provides executive, administrative, legal, and policy direction, along with offering problem-solving guidance. The office keeps abreast of department-related issues and acts in a public relations and informational capacity to ensure the public is informed of the services provided by the department. 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.

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, which is administratively attached to the department, is a citizen-based advocacy group. Its members, appointed by the Governor, work to provide increased independence, integration and productivity for persons with developmental disabilities.

MCDD 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 legislature adopted an increase in the Director's Office 2023 biennium appropriation of \$50,000 or 4.4% compared to the 2021 biennial appropriation. Changes included: <ul style="list-style-type: none"> ◦ An increase in federal special revenue appropriations to match estimated available funds for the Montana Council on Developmental Disabilities • The majority of the funding for the Director's Office is from proprietary funds that are approved as rates in HB 2 <ul style="list-style-type: none"> ◦ The legislature approved an indirect cost rate of 14.78% in the 2023 biennium, an increase of 0.3% when compared to the 2021 biennium. The increase was mainly due to increased costs for personal services within the Director's Office |

Program Actuals and Budget Comparison

The following table compares FY 2020 actual expenditures to the 2021 biennium appropriated budget and the 2023 biennium adopted budget by year, type of expenditure, and source of funding.

| Program Actuals and Budget Comparison | | | | | |
|---------------------------------------|------------------------|------------------------|------------------------|----------------------------|----------------------------|
| Budget Item | Actuals Fiscal 2020 | Approp. Fiscal 2020 | Approp. Fiscal 2021 | Legislative Fiscal 2022 | Legislative Fiscal 2023 |
| Grants | 436,359 | 550,000 | 600,000 | 600,000 | 600,000 |
| Total Expenditures | \$436,359 | \$550,000 | \$600,000 | \$600,000 | \$600,000 |
| Federal Spec. Rev. Funds | 436,359 | 550,000 | 600,000 | 600,000 | 600,000 |
| Total Funds | \$436,359 | \$550,000 | \$600,000 | \$600,000 | \$600,000 |
| Total Ongoing | \$436,359 | \$550,000 | \$600,000 | \$600,000 | \$600,000 |
| Total OTO | \$0 | \$0 | \$0 | \$0 | \$0 |

Funding

The following table shows adopted program funding by source of authority.

| Department of Commerce, 81-Directors Office Funding by Source of Authority | | | | | | |
|---|--------------------|-----------------------------|----------------------------|----------------------|----------------------|--|
| Funds | HB2 | Non-Budgeted Proprietary | Statutory Appropriation | Total All Sources | % Total All Funds | |
| General Fund | 0 | 0 | 0 | 0 | 0.00 % | |
| 02583 I190 Marijuana Funds | 0 | 0 | 0 | 0 | 0.00 % | |
| State Special Total | \$0 | \$0 | \$0 | \$0 | 0.00 % | |
| 03059 Community Development Block | 0 | 0 | 0 | 0 | 0.00 % | |
| 03207 Small Business Dev. Centers | 0 | 0 | 0 | 0 | 0.00 % | |
| 03300 Home Grants | 0 | 0 | 0 | 0 | 0.00 % | |
| 03441 MCDD | 1,200,000 | 0 | 0 | 1,200,000 | 100.00 % | |
| 03585 HTF | 0 | 0 | 0 | 0 | 0.00 % | |
| Federal Special Total | \$1,200,000 | \$0 | \$0 | \$1,200,000 | 20.01 % | |
| 06015 Facilities Finance Authority | 0 | 0 | 0 | 0 | 0.00 % | |
| 06542 Commerce Centralized Services | 0 | 4,797,152 | 0 | 4,797,152 | 100.00 % | |
| Proprietary Total | \$0 | \$4,797,152 | \$0 | \$4,797,152 | 79.99 % | |
| Total All Funds | \$1,200,000 | \$4,797,152 | \$0 | \$5,997,152 | | |

HB 2 Authority

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 Developmental Disabilities Planning and Advisory Council.

Non-Budgeted Proprietary

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.

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 2022 | Budget Fiscal 2023 | Biennium Fiscal 22-23 | Percent of Budget | Budget Fiscal 2022 | Budget Fiscal 2023 | Biennium Fiscal 22-23 | Percent of Budget |
| 2021 Base Budget | 0 | 0 | 0 | 0.00 % | 600,000 | 600,000 | 1,200,000 | 100.00 % |
| SWPL Adjustments | 0 | 0 | 0 | 0.00 % | 0 | 0 | 0 | 0.00 % |
| 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 | | \$600,000 | \$600,000 | \$1,200,000 | |

Other Issues

Proprietary Rates

Commerce Centralized Services – 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 Narrative

The following 2023 Biennium Report on Internal Service and Enterprise Funds shows the actual and projected expenditures and related revenues associated with the commerce centralized services proprietary fund.

| 2023 Biennium Report on Internal Service and Enterprise Funds | | | | |
|---|------------------------|-------------------------------|------------------|------------------|
| Agency # | Agency Name: | | Program Name: | |
| 65010 | Department of Commerce | | Directors Office | |
| | Fund | Fund Name | | |
| | 06542 | Commerce Centralized Services | | |
| | | | Actual | Budgeted |
| | | | FY 20 | FY 21 |
| | | | Adopted | Adopted |
| | | | FY 22 | FY 23 |
| Operating Revenues | | | | |
| Fees and Charges | | | | |
| Charges for Services | | | 1,869,251 | 2,015,791 |
| Grants | | | 198 | - |
| Other Operating Revenue | | | 322,952 | 302,365 |
| Total Operating Revenues | | | 2,192,401 | 2,318,156 |
| Expenses | | | | |
| Personal Services | | | 1,908,100 | 2,032,270 |
| Other Operating Expense | | | 287,535 | 322,440 |
| Total Operating Expense | | | 2,195,635 | 2,354,710 |
| Operating Income (Loss) | | | (3,234) | (36,554) |
| Income (Loss) Before Contributions and Transfers | | | (3,234) | (36,554) |
| Change in Net Position | | | (3,234) | (36,554) |
| Beginning Net Position - July 1 | | | 223,521 | 220,087 |
| Prior Period Adjustments | | | (200) | - |
| Change in Net Position | | | (3,234) | (36,554) |
| Ending Net Position - June 30 | | | 220,087 | 183,533 |

Expenses

The legislature adopted increases 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. This rate is then 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 20 | Estimated FY 21 | Adopted FY 22 | Adopted FY 23 |
| Fee Description: | 14.22% | 14.22% | 14.78% | 14.78% |

The legislature adopted increased rates for FY 2022 and FY 2023. 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.