

DEPARTMENT OF COMMERCE

Section A

JOINT SUBCOMMITTEE OF HOUSE APPROPRIATIONS AND SENATE FINANCE AND CLAIMS COMMITTEES

-----Agencies-----

Commissioner of Political Practice
Dept. of Administration
Dept. of Commerce
Dept. of Labor & Industry
Dept. of Military Affairs
Dept. of Revenue

Governor's Office
Legislative Branch
Montana Consumer Counsel
Secretary of State
State Auditor's Office

-----Committee Members-----

House

Representative Terry Falk (Chair)
Representative Luke Musziewicz
Representative Ken Walsh

Senate

Senator Forrest Mandeville (Vice Chair)
Senator Derek Harvey
Senator Tony Tezak

-----Fiscal Division Staff-----

Molly DelCurto
Ethan Bergen
Katie Guenther

Agency Base Budget Comparison

The following table compares the base budget with the requested expenditures for the upcoming biennium by type of expenditure and source of funding.

Agency Base Budget Comparison						
Budget Item	Base Budget	Requested Budget		Biennium Change from Base		
	FY 2025	FY 2026	FY 2027	Amount	Percent	
PB	61.30	61.30	61.30	0.00	0.0%	
General Fund	6,126,479	6,445,549	6,471,816	664,407	5.4%	
State/Other Special Rev. Funds	10,391,489	10,474,334	10,482,692	174,048	0.8%	
Federal Spec. Rev. Funds	19,830,377	21,889,454	21,802,028	4,030,728	10.2%	
Total Funds	36,348,345	38,809,337	38,756,536	4,869,183	6.7%	
Personal Services	5,939,238	5,600,044	5,619,630	(658,802)	(5.5%)	
Operating Expenses	13,601,447	8,831,670	8,747,145	(9,624,079)	(35.4%)	
Equipment & Intangible Assets	150,000	150,000	150,000		0.0%	
Capital Outlay	300,000	300,000	300,000		0.0%	
Local Assistance	46,000	46,000	46,000		0.0%	
Grants	16,017,004	23,569,931	23,569,901	15,105,824	47.2%	
Transfers	1,124	1,124	1,124		0.0%	
Debt Service	293,532	310,568	322,736	46,240	7.9%	
Total Expenditures	36,348,345	38,809,337	38,756,536	4,869,183	6.7%	
Total Ongoing	36,348,345	38,809,337	38,756,536	4,869,183	6.7%	
Total One-Time-Only	53,950			(107,900)	(100.0%)	

Agency Highlights

Department of Commerce Major Budget Highlights
<ul style="list-style-type: none"> • The Department of Commerce’s 2027 biennium budget request is approximately \$4.9 million or 6.7% higher than the FY 2025 base budget. Significant changes include: <ul style="list-style-type: none"> ◦ Approximately \$3.7 million biennial increase due to increased federal authority for the Housing Trust Fund (HTF) and HOME programs for increased grant authority ◦ Restoration of the base level funding for the Business Attraction Program in the Business MT Division ◦ Statewide present law adjustments for personal services, fixed costs, and inflation ◦ An administrative cost adjustment increase due to non-state building leases and indirect costs paid to the Director’s Office for support services

Executive Request

The following table shows the total executive request with the base budget and the statewide present law adjustments, present law adjustments, and new proposals by source of funding.

Department of Commerce 2027 Biennium Base Budget and Requested Adjustments										
	FY 2026					FY 2027				
	General Fund	State Special	Federal Special	Total Funds	% of Budget Request	General Fund	State Special	Federal Special	Total Funds	% of Budget Request
Base Budget	6,126,479	10,391,489	19,830,377	36,348,345	93.7%	6,126,479	10,391,489	19,830,377	36,348,345	93.8%
Statewide PL										
Personal Services	(8,005)	(335,975)	80,336	(263,644)	(0.7%)	4,002	(332,837)	84,779	(244,056)	(0.6%)
Fixed Costs	95,507	(1,471)	103,429	197,465	0.5%	99,442	434	8,560	108,436	0.3%
Inflation Deflation	(1,003)	(401)	(305)	(1,709)	(0.0%)	(677)	(271)	(206)	(1,154)	(0.0%)
Total Statewide PL	86,499	(337,847)	183,460	(67,888)	(0.2%)	102,767	(332,674)	93,133	(136,774)	(0.4%)
Present Law (PL)	232,571	420,692	1,875,617	2,528,880	6.5%	242,570	423,877	1,878,518	2,544,965	6.6%
New Proposals	0	0	0	0	0.0%	0	0	0	0	0.0%
Total HB 2 Adjustments	319,070	82,845	2,059,077	2,460,992	6.3%	345,337	91,203	1,971,651	2,408,191	6.2%
Total Requested Budget	6,445,549	10,474,334	21,889,454	38,809,337		6,471,816	10,482,692	21,802,028	38,756,536	

Statewide Present Law Adjustment for Personal Services

In order to explain the factors influencing personal services changes, the proposed statewide personal services present law adjustment (DP1) has been broken down into three categories, as follows:

- Legislative changes - This category includes adjustments explicitly approved by the legislature, such as, changes to benefit rates, longevity adjustments required by statute, and changes in rates for workers' compensation and unemployment insurance
- Management changes - This category includes agency management decisions that adjust personal services related to changes in pay. This includes changes such as hiring positions budgeted (PB) at a lower rate to replace senior staff and broadband pay adjustments for recruitment and retention
- Budget modifications - This category includes other modifications to the FY 2025 personal services base budget such as management decisions to transfer personal services funding between programs within an agency or movement of personal services funding to or from another expenditure category (e.g. moving funding from operating expenses to personal services)

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

Department of Commerce FY 2026 Statewide Present Law Adjustment for Personal Services (DP 1)				
Program	Legislative Changes	Management Decisions	Budget Modifications	Total DP 1
51 Business MT Division	\$ 19,036	\$ (56,383)	\$ (284,805)	\$ (322,153)
60 Community MT Division	36,360	(67,872)	-	(31,512)
74 Housing MT Division	11,113	20,677	-	31,790
78 Board of Horse Racing	87,358	(11,808)	-	75,550
80 Montana Heritage Commission	(2,153)	4,181	-	2,028
81 Director's Office	(3,503)	377	(16,221)	(19,347)
Total	\$ 148,211	\$ (110,828)	\$ (301,026)	\$ (263,644)

The executive requests for statewide present law adjustments for personal services will be discussed in further detail at the program level.

Statewide Present Law Adjustment for Fixed Costs

The executive requests an increased statewide present law adjustment for fixed cost of 2.2% in FY 2026 and 1.2% in FY 2027 above the operating expense base budget. In FY 2026, this increase is primarily attributed to restricted biennial audit fees. These fees are only appropriated in FY 2026 but may be used in either fiscal year of the biennium. Other notable increases are for information technology and statewide indirect fixed costs.

Present Law Adjustments

The executive requests increased authority for administrative costs. This includes adjustments for non-state building leases and indirect costs charged to the agency’s programs for support services provided by the Director’s Office, including accounting, human resources, and legal services. These adjustments are 1.9% in FY 2026 and 2.0% in FY 2027 above the HB 2 base budget.

Funding

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

Total Department of Commerce Funding by Source of Authority 2027 Biennium Budget Request						
Funds	HB2 Ongoing	HB2 OTO	Non-Budgeted Proprietary	Statutory Appropriation	Total All Sources	% Total All Funds
01100 General Fund	12,917,365			3,600,000	16,517,365	4.4%
02116 Accommodation Tax Account	1,066,544			32,568,041	33,634,585	8.9%
02254 Regional Accommodation Tax				31,079,986	31,079,986	8.2%
02771 Big Sky Economic Dev Program	1,061,903			17,656,815	18,718,718	4.9%
02279 Accom. Tax - Tourism Grants				17,328,778	17,328,778	4.6%
02277 Accom. Tax - Rural Tourism				16,950,821	16,950,821	4.5%
Other State Special Revenue	18,828,579			10,991,645	29,820,224	7.9%
State Special Revenue Total	20,957,026	-	-	126,576,086	147,533,112	38.9%
03059 Community Development Block	15,065,588				15,065,588	4.0%
03585 HTF	12,576,811				12,576,811	3.3%
03300 Home Grants	11,560,174				11,560,174	3.0%
03092 Distressed Woods Federal				2,001,273	2,001,273	0.5%
03207 Small Business Dev. Centers	1,776,703				1,776,703	0.5%
Other Federal Special Revenue	2,712,206				2,712,206	0.7%
Federal Special Revenue Total	43,691,482	-	-	2,001,273	45,692,755	12.1%
06074 SEC 8 Project Based			57,291,463		57,291,463	15.1%
06054 Section 8 HAP			48,101,012		48,101,012	12.7%
06527 Investment Division			15,395,558		15,395,558	4.1%
06014 BOI Municipal Finance Programs			1,085,546	10,600,000	11,685,546	3.1%
06075 Section 8 Vouchers			8,265,595		8,265,595	2.2%
Other Proprietary Fund			28,555,784		28,555,784	7.5%
Proprietary Fund Total	-	-	158,694,958	10,600,000	169,294,958	44.7%
Total of All Funds	77,565,873	-	158,694,958	142,777,359	379,038,190	
Percent of All Sources of Authority	20.5%	0.0%	41.9%	37.7%		

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

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

Agency Actuals and Budget Comparison

The following table compares FY 2024 actual expenditures, FY 2024 and FY 2025 appropriations, and the expenditures requested for FY 2026 and FY 2027 by type of expenditure and source of funding.

Agency Actuals and Budget Comparison					
Budget Item	Actuals Fiscal 2024	Approp. Fiscal 2024	Approp. Fiscal 2025	Request Fiscal 2026	Request Fiscal 2027
PB	0.00	61.30	61.30	61.30	61.30
Personal Services	4,685,848	5,327,491	5,982,968	5,600,044	5,619,630
Operating Expenses	5,027,165	13,515,666	13,611,667	8,831,670	8,747,145
Equipment & Intangible Assets	0	0	150,000	150,000	150,000
Capital Outlay	697,835	750,000	300,000	300,000	300,000
Local Assistance	0	46,000	46,000	46,000	46,000
Grants	21,724,178	16,231,004	16,017,004	23,569,931	23,569,901
Transfers	0	1,124	1,124	1,124	1,124
Debt Service	229,834	279,532	293,532	310,568	322,736
Total Expenditures	\$32,364,860	\$36,150,817	\$36,402,295	\$38,809,337	\$38,756,536
General Fund	5,391,107	5,577,740	6,180,429	6,445,549	6,471,816
State/Other Special Rev. Funds	7,767,640	10,282,643	10,391,489	10,474,334	10,482,692
Federal Spec. Rev. Funds	19,206,113	20,290,434	19,830,377	21,889,454	21,802,028
Total Funds	\$32,364,860	\$36,150,817	\$36,402,295	\$38,809,337	\$38,756,536
Total Ongoing	\$32,344,621	\$36,094,582	\$36,348,345	\$38,809,337	\$38,756,536
Total OTO	\$20,239	\$56,235	\$53,950	\$0	\$0

Agency Description

The Department of Commerce works with statewide and local partners, private industry, and small businesses to provide the following services:

- Works to improve the state's economy through business creation, expansion, retention, and diversification of the state's economic base
- Provides direct technical assistance, grants and loans for Montana's entrepreneurs, businesses and their employees
- Strengthens the economy through the promotion of tourism development, promoting and protecting historic sites, and marketing Montana as a travel and filmmaking destination
- Promotes access to new markets, both foreign and domestic, for Montana goods and services
- Provides financing for homeownership and rental assistance opportunities for Montana families
- Develops and improves public infrastructure and housing for Montana citizens by providing grants and technical assistance to Montana communities and counties

Please refer to the agency profile [here](#) for additional information about the agency's organization structure, historical expenditures, goals and objectives, and recent studies and audits.

FY 2024 Appropriation Compared to FY 2024 Actual Expenditures

In FY 2024, the Department of Commerce expended 89.5% of its \$36.2 million modified HB 2 budget. The majority of these expenditures are in the Housing Division for HOME and HTF program grants. These expenditures will be discussed in more detail at the program level.

FY 2024 Appropriations Compared to FY 2025 Appropriations

The Department of Commerce's appropriation authority for FY 2025 is approximately \$251,000, or 0.7%, higher than in FY 2024. This increase is primarily due to increased statewide present law adjustments for personal services and fixed costs as budgeted in the 2023 Legislative Session.

Comparison of FY 2025 Legislative Budget to FY 2025 Base

The figure below illustrates the beginning FY 2025 budget as adopted by the 2023 Legislature compared to the FY 2025 base budget, which includes modifications as approved by the approving authority (as authorized in statute) during the interim. The FY 2025 base budget was agreed upon by the Office of Budget and Program Planning and the Fiscal Division to be the point from which any changes would be recorded for the 2027 biennium budgeting process.

Department of Commerce				
Comparison of the FY 2025 Legislative Budget to the FY 2025 Base Budget				
	Legislative Budget	Executive Modifications	Base Budget	% Change
51 BUSINESS MT				
61000 Personal Services	1,490,400	119,166	1,609,566	8.0%
62000 Operating Expenses	3,123,942	(333,713)	2,790,229	-10.7%
65000 Local Assistance	46,000		46,000	0.0%
66000 Grants	1,714,825		1,714,825	0.0%
68000 Transfers	1,124		1,124	0.0%
69000 Debt Service	113,489	-	113,489	0.0%
Total	6,489,780	(214,547)	6,275,233	-3.3%
52 BRAND MT				
62000 Operating Expenses	210,157		210,157	0.0%
Total	210,157		210,157	0.0%
60 COMMUNITY MT				
61000 Personal Services	2,461,957		2,461,957	0.0%
62000 Operating Expenses	2,201,883		2,201,883	0.0%
66000 Grants	10,302,179		10,302,179	0.0%
69000 Debt Service	92,363		92,363	0.0%
Total	15,058,382		15,058,382	0.0%
74 HOUSING MT				
61000 Personal Services	500,888		500,888	0.0%
62000 Operating Expenses	315,446	5,900,000	6,215,446	1870.4%
66000 Grants	9,300,000	(5,900,000)	3,400,000	-63.4%
69000 Debt Service	22,663		22,663	0.0%
Total	10,138,997	-	10,138,997	0.0%
78 BOARD OF HORSE RACING				
61000 Personal Services	27,761		27,761	0.0%
62000 Operating Expenses	435,793		435,793	0.0%
Total	463,554		463,554	0.0%
80 MONTANA HERITAGE COMMISSION				
61000 Personal Services	688,658		688,658	0.0%
62000 Operating Expenses	1,474,112		1,474,112	0.0%
63000 Equipment & Intangible Assets	150,000		150,000	0.0%
64000 Capital Outlay	300,000		300,000	0.0%
Total	2,612,770		2,612,770	0.0%
81 DIRECTORS OFFICE				
61000 Personal Services	468,546	181,862	650,408	38.8%
62000 Operating Expenses	241,142	32,685	273,827	13.6%
66000 Grants	600,000		600,000	0.0%
69000 Debt Service	65,017		65,017	0.0%
Total	1,374,705	214,547	1,589,252	15.6%
Agency Total	36,348,345	-	36,348,345	0.0%

The Department of Commerce made the following modifications to its legislative budget:

- A transfer of 2.00 PB and the associated personal services and operating expense authority from the Business MT Division to the Director's Office occurred in the 2025 biennium. A reorganization occurred in the 2021 biennium which moved the Research and Information Services Bureau into the Director's Office. Some positions were not moved during this reorganization and this program transfer corrected that error
- Appropriation authority was moved from personal services to operating expense authority to properly record expenditures related to the Taiwan Trade Office Program
- A transfer of expenditure authority from grants to operating expense authority occurred in the Housing MT Division to properly record expenditures related to the HOME and HTF programs which experienced updated federal guidelines. Additionally, operating expense authority was transferred to personal services to make up for an appropriation shortfall in the Business MT Division

HB 2 Language -

All federal special revenue appropriations in the Housing MT Division are biennial.

Program Base Budget Comparison

The following table compares the base budget with the requested expenditures for the upcoming biennium by type of expenditure and source of funding.

Program Base Budget Comparison					
Budget Item	Base Budget	Requested Budget		Biennium Change from Base	
	FY 2025	FY 2026	FY 2027	Amount	Percent
PB	13.50	13.50	13.50	0.00	0.0%
General Fund	2,963,478	3,051,029	3,060,824	184,897	3.1%
State/Other Special Rev. Funds	2,441,077	2,479,492	2,480,506	77,844	1.6%
Federal Spec. Rev. Funds	870,678	887,795	888,908	35,347	2.0%
Total Funds	6,275,233	6,418,316	6,430,238	298,088	2.4%
Personal Services	1,609,566	1,287,413	1,291,753	(639,966)	(19.9%)
Operating Expenses	2,790,229	3,293,816	3,296,624	1,009,982	18.1%
Local Assistance	46,000	46,000	46,000		0.0%
Grants	1,714,825	1,669,752	1,669,722	(90,176)	(2.6%)
Transfers	1,124	1,124	1,124		0.0%
Debt Service	113,489	120,211	125,015	18,248	8.0%
Total Expenditures	6,275,233	6,418,316	6,430,238	298,088	2.4%
Total Ongoing	6,275,233	6,418,316	6,430,238	298,088	2.4%
Total One-Time-Only					0.0%

Program Highlights

Business MT Division Major Budget Highlights
<ul style="list-style-type: none"> • The Business MT Division’s 2027 biennium requested appropriations are approximately \$298,000 or 2.4% higher than the FY 2025 base budget. Significant changes include: <ul style="list-style-type: none"> ◦ Increased general fund, federal, and state special revenue for administrative cost adjustments, the largest of this adjustment is to reestablish base funding for the Business Attraction Program ◦ Increased statewide present law adjustments for fixed costs ◦ Decreased statewide present law adjustments for personal services and inflation

Executive Request

The following table shows the total executive request with the base budget and the statewide present law adjustments, present law adjustments, and new proposals by source of funding.

Business M T 2027 Biennium HB 2 Base Budget and Requested Adjustments										
	FY 2026					FY 2027				
	General Fund	State Special	Federal Special	Total Funds	% of Budget Request	General Fund	State Special	Federal Special	Total Funds	% of Budget Request
Base Budget	2,963,478	2,441,077	870,678	6,275,233	97.8%	2,963,478	2,441,077	870,678	6,275,233	97.6%
Statewide PL										
Personal Services	14,259	(348,433)	12,021	(322,153)	(5.0%)	18,375	(348,433)	12,245	(317,813)	(4.9%)
Fixed Costs	16,654	14,510	1,177	32,341	0.5%	17,649	14,910	1,353	33,912	0.5%
Inflation Deflation	(649)	(144)	(191)	(984)	(0.0%)	(438)	(97)	(129)	(664)	(0.0%)
Total Statewide PL	30,264	(334,067)	13,007	(290,796)	(4.5%)	35,586	(333,620)	13,469	(284,565)	(4.4%)
Present Law (PL)	57,287	372,482	4,110	433,879	6.8%	61,760	373,049	4,761	439,570	6.8%
New Proposals	0	0	0	0	0.0%	0	0	0	0	0.0%
Total HB 2 Adjustments	87,551	38,415	17,117	143,083	2.2%	97,346	39,429	18,230	155,005	2.4%
Total Requested Budget	3,051,029	2,479,492	887,795	6,418,316		3,060,824	2,480,506	888,908	6,430,238	

Funding

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

Department of Commerce, 51-Business M T Funding by Source of Authority						
Funds	HB2 Ongoing	HB2 OTO	Non-Budgeted Proprietary	Statutory Appropriation	Total All Sources	% Total All Funds
01100 General Fund	6,111,853	0	0	3,600,000	9,711,853	26.1%
02090 Business Asst-Private	189,562	0	0	0	189,562	0.8%
02100 Distressed Wood Products RLF	0	0	0	1,126,274	1,126,274	4.7%
02116 Accommodation Tax Account	789,515	0	0	0	789,515	3.3%
02212 Microbusiness Loan Acct	997,768	0	0	0	997,768	4.2%
02229 MT SSBCI Servicing Fees	68,570	0	0	0	68,570	0.3%
02344 Primary Sector Training	992,680	0	0	0	992,680	4.2%
02672 GAP Financing Program	350,000	0	0	0	350,000	1.5%
02771 Big Sky Economic Dev Program	1,061,903	0	0	17,656,815	18,718,718	78.8%
02848 SBDC Private Revenue NonFed	10,000	0	0	0	10,000	0.0%
02939 State-Tribal Economic Devel	500,000	0	0	0	500,000	2.1%
State Special Total	\$4,959,998	\$0	\$0	\$18,783,089	\$23,743,087	63.8%
03092 Distressed Woods Federal	0	0	0	2,001,273	2,001,273	53.0%
03207 Small Business Dev. Centers	1,776,703	0	0	0	1,776,703	47.0%
Federal Special Total	\$1,776,703	\$0	\$0	\$2,001,273	\$3,777,976	10.1%
Proprietary Total	\$0	\$0	\$0	\$0	\$0	0.0%
Total All Funds	\$12,848,554	\$0	\$0	\$24,384,362	\$37,232,916	

HB 2 Authority

General Fund

HB 2 general fund authority includes funding for division administration, business assistance, Made-in-Montana Program, Small Business Development Centers (SBDC), and Small Business Innovation Research/Small Business Technology Transfer, State Tribal Economic Development Commission, Indian Country Economic Development, Export Trade Promotion Programs, and the Montana Manufacturing Extension Center.

State Special Revenue

State special revenue appropriations include authority for microbusiness loans, Made-in-Montana trade show, Business Attraction, Trade & Diplomacy, GAP financing, and Tribal Tourism.

Federal Special Revenue

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

Statutory Appropriations

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

LFD COMMENT	Big Sky Economic Development Trust Fund
	<p>The Big Sky Economic Development (BSED) trust fund is established by statute and requires 25.0% of the coal severance tax available to the coal severance tax permanent trust be segregated into the BSED trust fund. The deposit of coal severance tax revenue to this fund terminates at the end of FY 2025. The income from the BSED trust is deposited into the BSED income fund within the trust and is available for transfer to the BSED state special revenue fund.</p> <p>The purpose, as defined in statute, of the Big Sky Economic Development Program is to:</p> <ul style="list-style-type: none"> • Create good-paying jobs for Montana residents • Promote long-term, stable economic growth in Montana • Encourage local economic development organizations • Create partnerships between the state, local governments, tribal governments, and local economic development organizations that are interested in pursuing these same economic development goals • Retain or expand existing businesses • Provide a better life for future generations through greater economic growth and prosperity in Montana • Encourage workforce development, including workforce training and job creation, in high-poverty counties by providing targeted assistance <p>This was changed in the 2023 Session through HB 881 (MCA 90-1-205(2)). The money in the account is statutorily appropriated, as provided in 17-7-502, MCA. The money deposited in the account must be used as provided in this part, for administrative expenses, or for other economic development purposes.</p> <p>Statutory appropriations for the Big Sky Economic Development Program will comprise all expenditures from the state special revenue fund. The figure below provides information on the fund balance for the three BSED funds.</p>

Big Sky Economic Development Funds					
	Actual FY	2024 Budgeted FY	2025 Proposed FY	2026 Proposed FY	2027 Proposed FY
Big Sky Economic Development Trust Fund - 09051					
Beginning Fund Balance	\$137,397,199	\$142,840,796	\$146,919,671	\$150,027,671	\$152,920,296
Revenues (Transfers In)**	5,443,597	4,078,875	3,108,000		2,892,625
Transfers Out					
Ending Fund Balance	\$142,840,796	\$146,919,671	\$150,027,671	\$152,920,296	
Big Sky Economic Development Trust Income Fund - 09052					
Beginning Fund Balance	\$10,269,102	\$16,445,502	\$12,902,955	\$9,811,063	\$7,265,243
Revenues (Transfers In)**	6,176,400	5,650,329	6,265,589	6,816,329	9,362,149
Transfers Out	0	9,192,876	9,357,481	9,362,149	
Ending Fund Balance	\$16,445,502	\$12,902,955	\$9,811,063	\$7,265,243	
Big Sky Economic Development Trust Fund - 02771					
Beginning Fund Balance	\$(3,241,218)	\$(2,619,285)	\$(2,619,285)	\$(2,619,285)	\$(2,619,285)
Revenues	2,079,625	9,192,876	9,357,481	9,362,149	
Expenditures					
Personal Services	800,552	708,234	438,874	440,417	
Operating Expenses	328,528	335,971	767,954	769,664	
Grants	297,602	8,119,039	8,119,039	8,119,039	
Debt Services	31,010	29,632	31,614	33,029	
Total Expenditures	1,457,692	9,192,876	9,357,481	9,362,149	
Other Adjustments					
Ending Fund Balance	\$ (2,619,285)	\$ (2,619,285)	\$ (2,619,285)	\$ (2,619,285)	
**Updated with preliminary revenue estimate as of November 2024 (excludes unrealized investment gains and losses)					

The big sky economic development trust fund 09051 is the actual trust, which funds may not be directly expended from. Coal severance taxes go into the principal balance of this fund and the interest that is earned is transferred to fund 09052. Grant funding from the big sky economic development trust income fund 09052 is transferred into fund 02771 when recipients fulfil grant requirements. The big sky economic development trust fund state special revenue account 02771 shows ending negative fund balances of approximately \$2.6 million in FY 2026 and 2027, respectively, in the figure above. This is primarily due to expenditures being accrued but funding for grants not being disbursed until grantees fulfill requirements for reimbursement.

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

- \$325,000 for the Small Business Development Center
- \$50,000 for the Small Business Innovative Research Program
- \$625,000 for Certified Regional Development Corporations
- \$500,000 for the Montana Manufacturing Extension Center at Montana State University-Bozeman
- \$300,000 for export trade enhancement

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

Program Actuals and Budget Comparison

The following table compares FY 2024 actual expenditures, FY 2024 and FY 2025 appropriations, and the expenditures requested for FY 2026 and FY 2027 by type of expenditure and source of funding.

Program Actuals and Budget Comparison					
Budget Item	Actuals Fiscal 2024	Approp. Fiscal 2024	Approp. Fiscal 2025	Request Fiscal 2026	Request Fiscal 2027
PB	0.00	13.50	13.50	13.50	13.50
Personal Services	1,494,999	1,690,373	1,609,566	1,287,413	1,291,753
Operating Expenses	2,266,900	2,770,374	2,790,229	3,293,816	3,296,624
Local Assistance	0	46,000	46,000	46,000	46,000
Grants	1,044,249	1,714,825	1,714,825	1,669,752	1,669,722
Transfers	0	1,124	1,124	1,124	1,124
Debt Service	90,560	113,489	113,489	120,211	125,015
Total Expenditures	\$4,896,708	\$6,336,185	\$6,275,233	\$6,418,316	\$6,430,238
General Fund	2,930,266	3,038,702	2,963,478	3,051,029	3,060,824
State/Other Special Rev. Funds	1,198,874	2,435,334	2,441,077	2,479,492	2,480,506
Federal Spec. Rev. Funds	767,568	862,149	870,678	887,795	888,908
Total Funds	\$4,896,708	\$6,336,185	\$6,275,233	\$6,418,316	\$6,430,238
Total Ongoing	\$4,896,708	\$6,336,185	\$6,275,233	\$6,418,316	\$6,430,238
Total OTO	\$0	\$0	\$0	\$0	\$0

Program Description

The Business MT Division works to support a business environment that strengthens the economy, facilitates job creation and retention, and enhances community prosperity. The division provides outreach, incentives, training, counseling, technical assistance, and access to grants, loans, and market opportunities, both domestically and internationally. Through partnerships with companies, universities, tribes, nonprofits, and government leaders, the division aims to promote economic growth and community well-being. Funded by HB 2 and statutory appropriations, Business MT collaborates with state and local partners in areas such as Business Assistance, Export and International Trade, Indian Country Economic Development, Small Business Development Centers, Regional Economic Development, and Montana Manufacturing Centers.

FY 2024 Appropriation Compared to FY 2024 Actual Expenditures

The Business MT Division expended 77.3% of its \$6.3 million HB 2 modified budget in FY 2024. Lower expenditures are primarily in grants, which were 60.9% expended, with personal services and operating expenses 88.4% and 81.8% expended, respectively. Grant expenditures were primarily unexpended for state special revenue primary sector training, while operating expense authority primarily went unexpended for the microbusiness loan account, which did not disburse any new loans in FY 2024. Additionally, HB 881 (2023 Legislature) transferred funds from HB 2 to statutory authority for the workforce training grant account and the microbusiness administration account. Expenses related to the workforce training grant program was paid out of statutory authority in FY 2024.

FY 2024 Appropriations Compared to FY 2025 Appropriation

The Business MT Division’s appropriation authority for FY 2025 is approximately \$61,000, or 1.0%, less than that of FY 2024. This decrease is entirely due to lower personal services funding in FY 2025 due to a program transfer which moved 2.00 PB and its associated funding from the Business MT Division to the Director’s Office. This program transfer took place during FY 2024. However, greater appropriation authority was transferred from the FY 2025 budget.

Present Law Adjustments

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

Present Law Adjustments	-----Fiscal 2026-----					-----Fiscal 2027-----				
	PB	General Fund	State Special	Federal Special	Total Funds	PB	General Fund	State Special	Federal Special	Total Funds
DP 1 - Personal Services	0.00	14,259	(348,433)	12,021	(322,153)	0.00	18,375	(348,433)	12,245	(317,813)
DP 2 - Fixed Costs	0.00	16,654	14,510	1,177	32,341	0.00	17,649	14,910	1,353	33,912
DP 3 - Inflation Deflation	0.00	(649)	(144)	(191)	(984)	0.00	(438)	(97)	(129)	(664)
DP 5105 - BIZMT ADMINISTRATIVE COSTS ADJUSTMENTS	0.00	57,287	372,482	4,110	433,879	0.00	61,760	373,049	4,761	439,570
Grand Total All Present Law Adjustments	0.00	\$87,551	\$38,415	\$17,117	\$143,083	0.00	\$97,346	\$39,429	\$18,230	\$155,005

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

DP 1 - Personal Services -

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

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

Department of Commerce Business MT Division FY 2026 Statewide Present Law Adjustment for Personal Services	
Legislative Changes	\$ 19,036
Management Changes	(56,383)
Total Budget Modifications	(284,805)
Total	<u><u>\$(322,153)</u></u>

The executive requests a decreased statewide present law adjustment for personal services. This decrease is primarily driven by budget modifications due to an operating plan change that took place in the 2025 biennium which transferred authority into personal services. This authority was not attached to any positions budgeted (PB) and therefore was lost during the snapshot personal services adjustment. Management changes also decreased due to greater budgeted vacancy savings and hiring new positions at lower rates.

DP 2 - Fixed Costs -

The executive requests adjustments to provide the funding required in the proposed budget to pay increases in fixed costs assessed by other agencies within state government for the services they provide. Examples include: audit fees, Capitol complex rent, information technology services, etc. The rates charged for these services are approved in the section of the budget that provides the services.

DP 3 - Inflation Deflation -

The executive requests adjustments to reflect budgetary changes generated from the application of inflation and deflation factors to specific expenditure accounts. Affected accounts include in-state state motor pool and motor pool leased vehicles.

DP 5105 - BIZMT ADMINISTRATIVE COSTS ADJUSTMENTS -

The executive requests adjustments for non-state rent increases per the terms of the negotiated lease and indirect costs paid to the Director's Office for support services provided to supported divisions, bureaus, and programs. Additional adjustments are for grants based on anticipated available funding and restoring base funding for the Business Attraction Program.

Program Base Budget Comparison

The following table compares the base budget with the requested expenditures for the upcoming biennium by type of expenditure and source of funding.

Program Base Budget Comparison						
Budget Item	Base Budget		Requested Budget		Biennium Change from Base	
	FY 2025	FY 2026	FY 2026	FY 2027	Amount	Percent
State/Other Special Rev. Funds	210,157	210,157	210,157	210,157		0.0%
Total Funds	210,157	210,157	210,157	210,157		0.0%
Operating Expenses	210,157	210,157	210,157	210,157		0.0%
Total Expenditures	210,157	210,157	210,157	210,157		0.0%
Total Ongoing	210,157	210,157	210,157	210,157		0.0%
Total One-Time-Only						0.0%

Program Highlights

Brand MT Division Major Budget Highlights
<ul style="list-style-type: none"> The Brand MT Division's 2027 biennium budget is the same as the 2025 biennium

Executive Request

The following table shows the total executive request with the base budget and the statewide present law adjustments, present law adjustments, and new proposals by source of funding.

Brand M T 2027 Biennium HB 2 Base Budget and Requested Adjustments										
	FY 2026					FY 2027				
	General Fund	State Special	Federal Special	Total Funds	% of Budget Request	General Fund	State Special	Federal Special	Total Funds	% of Budget Request
Base Budget	0	210,157	0	210,157	100.0%	0	210,157	0	210,157	100.0%
Statewide PL										
Personal Services	0	0	0	0	0.0%	0	0	0	0	0.0%
Fixed Costs	0	0	0	0	0.0%	0	0	0	0	0.0%
Inflation Deflation	0	0	0	0	0.0%	0	0	0	0	0.0%
Total Statewide PL	0	0	0	0	0.0%	0	0	0	0	0.0%
Present Law (PL)	0	0	0	0	0.0%	0	0	0	0	0.0%
New Proposals	0	0	0	0	0.0%	0	0	0	0	0.0%
Total HB 2 Adjustments	0	0	0	0	0.0%	0	0	0	0	0.0%
Total Requested Budget	0	210,157	0	210,157		0	210,157	0	210,157	

Funding

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

Department of Commerce, 52-Brand M T Funding by Source of Authority							
Funds	HB2 Ongoing	HB2 OTO	Non-Budgeted Proprietary	Statutory Appropriation	Total All Sources	% Total All Funds	
General Fund	0	0	0	0	0	0.0%	
02116 Accommodation Tax Account	0	0	0	32,568,041	32,568,041	30.4%	
02154 MT Promotion-Private	420,314	0	0	0	420,314	0.4%	
02254 Regional Accommodation Tax	0	0	0	31,079,986	31,079,986	29.0%	
02271 L&C Bicentennial Plate Fund	0	0	0	7,000	7,000	0.0%	
02277 Accom. Tax - Rural Tourism	0	0	0	16,950,821	16,950,821	15.8%	
02279 Accom. Tax - Tourism Grants	0	0	0	17,328,778	17,328,778	16.2%	
02280 Accom. Tax - Revolving Loan	0	0	0	4,888,717	4,888,717	4.6%	
02293 Film Credit Applications	0	0	0	4,918	4,918	0.0%	
02298 Accom. Tax - Economic Develop	0	0	0	3,759,000	3,759,000	3.5%	
State Special Total	\$420,314	\$0	\$0	\$106,587,261	\$107,007,575	100.0%	
Federal Special Total	\$0	\$0	\$0	\$0	\$0	0.0%	
Proprietary Total	\$0	\$0	\$0	\$0	\$0	0.0%	
Total All Funds	\$420,314	\$0	\$0	\$106,587,261	\$107,007,575		

HB 2 Authority

State Special Revenue

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

Statutory Appropriations

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

The lodging facility use tax provides funds to the Department of Commerce through a 4.0% tax imposed on guests of hotels, motels, bed and breakfasts, resorts, campgrounds, and any other lodging sites. As outlined in statute, the Department of Commerce receives 60.2% of the net tax proceeds for the following purposes:

- Tourism media, advertising film programs, the Made-In-Montana promotions, main street programs, wayfinding and signage, and support to trade offices
- Rural tourism, including under-visited area attraction projects, tribal tourism, tourism-related emergency services, marketing, and promotional activities
- Tourism grants, including agritourism grants and Montana-based film grants
- Revolving loan programs and regional tourism assistance
- Collaboration with the Office of Economic Development for new tourism attractions, other state business development programs, and support of other activities previously mentioned

The Department of Commerce also receives an additional 22.5% of the net tax proceeds to distribute to regional nonprofit tourism corporations.

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

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

Program Actuals and Budget Comparison

The following table compares FY 2024 actual expenditures, FY 2024 and FY 2025 appropriations, and the expenditures requested for FY 2026 and FY 2027 by type of expenditure and source of funding.

Program Actuals and Budget Comparison					
Budget Item	Actuals Fiscal 2024	Approp. Fiscal 2024	Approp. Fiscal 2025	Request Fiscal 2026	Request Fiscal 2027
Operating Expenses	162,873	268,542	210,157	210,157	210,157
Total Expenditures	\$162,873	\$268,542	\$210,157	\$210,157	\$210,157
State/Other Special Rev. Funds	162,873	268,542	210,157	210,157	210,157
Total Funds	\$162,873	\$268,542	\$210,157	\$210,157	\$210,157
Total Ongoing	\$162,873	\$268,542	\$210,157	\$210,157	\$210,157
Total OTO	\$0	\$0	\$0	\$0	\$0

Program Description

Brand MT provides grant funding and technical assistance for tourism development, as well as promotion of Montana’s nature, small towns, experiences, hospitality, and competitive business climate to promote the state as a place to visit and do business. The tourism development, film, and marketing/communications programs are all part of the Brand MT team that works to sustain and grow Montana’s economy. The programs help to create tourism economic opportunities, especially in rural areas, and resiliency through asset identification and data-driven marketing strategies and grant programs.

Brand MT is comprised of four bureaus funded by HB 2 and statutory appropriations:

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

FY 2024 Appropriation Compared to FY 2024 Actual Expenditures

The Brand MT Division expended 60.7% of its \$269,000 HB 2 modified budget in FY 2024. The primary source of revenue for Brand MT’s HB 2 authority comes from conference registrations which were lower than anticipated in FY 2024, leading to lower expenditures.

FY 2024 Appropriations Compared to FY 2025 Appropriation

The Brand MT Division’s HB 2 appropriation authority for FY 2025 is approximately \$58,000, or 21.7%, less than that of FY 2024. This lower authority is primarily due to legislative audit costs only being appropriated in FY 2024. Additionally, SB 522 reduced the lodging facilities use tax allocation and that reduction was removed from the Brand MT’s appropriation authority by the 2023 Legislature.

Program Base Budget Comparison

The following table compares the base budget with the requested expenditures for the upcoming biennium by type of expenditure and source of funding.

Program Base Budget Comparison					
Budget Item	Base Budget	Requested Budget		Biennium Change from Base	
	FY 2025	FY 2026	FY 2027	Amount	Percent
PB	26.20	26.20	26.20	0.00	0.0%
General Fund	1,932,724	2,072,517	2,078,022	285,091	7.4%
State/Other Special Rev. Funds	4,904,956	4,900,166	4,905,307	(4,439)	(0.0%)
Federal Spec. Rev. Funds	8,220,702	8,287,648	8,290,146	136,390	0.8%
Total Funds	15,058,382	15,260,331	15,273,475	417,042	1.4%
Personal Services	2,461,957	2,430,445	2,436,854	(56,615)	(1.1%)
Operating Expenses	2,201,883	2,430,158	2,433,192	459,584	10.4%
Grants	10,302,179	10,302,179	10,302,179		0.0%
Debt Service	92,363	97,549	101,250	14,073	7.6%
Total Expenditures	15,058,382	15,260,331	15,273,475	417,042	1.4%
Total Ongoing	15,058,382	15,260,331	15,273,475	417,042	1.4%
Total One-Time-Only	53,950			(107,900)	(100.0%)

Program Highlights

Community MT Division Major Budget Highlights
<ul style="list-style-type: none"> • The Community MT Division’s 2027 biennium requested appropriations are approximately \$417,000 or 1.4% higher than the FY 2025 base budget. Significant changes include: <ul style="list-style-type: none"> ◦ Increased administrative costs for rent and indirect support service costs ◦ Increased statewide present law adjustments for fixed costs

Executive Request

The following table shows the total executive request with the base budget and the statewide present law adjustments, present law adjustments, and new proposals by source of funding.

Community M T 2027 Biennium HB 2 Base Budget and Requested Adjustments										
	FY 2026					FY 2027				
	General Fund	State Special	Federal Special	Total Funds	% of Budget Request	General Fund	State Special	Federal Special	Total Funds	% of Budget Request
Base Budget	1,932,724	4,904,956	8,220,702	15,058,382	98.7%	1,932,724	4,904,956	8,220,702	15,058,382	98.6%
Statewide PL										
Personal Services	(2,917)	(65,120)	36,525	(31,512)	(0.2%)	(70)	(63,066)	38,033	(25,103)	(0.2%)
Fixed Costs	18,913	7,532	541	26,986	0.2%	19,644	8,132	779	28,555	0.2%
Inflation Deflation	(302)	(257)	(31)	(590)	(0.0%)	(204)	(174)	(21)	(399)	(0.0%)
Total Statewide PL	15,694	(57,845)	37,035	(5,116)	(0.0%)	19,370	(55,108)	38,791	3,053	0.0%
Present Law (PL)	124,099	53,055	29,911	207,065	1.4%	125,928	55,459	30,653	212,040	1.4%
New Proposals	0	0	0	0	0.0%	0	0	0	0	0.0%
Total HB 2 Adjustments	139,793	(4,790)	66,946	201,949	1.3%	145,298	351	69,444	215,093	1.4%
Total Requested Budget	2,072,517	4,900,166	8,287,648	15,260,331		2,078,022	4,905,307	8,290,146	15,273,475	

Funding

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

Department of Commerce, 60-Community M T Funding by Source of Authority							
Funds	HB2 Ongoing	HB2 OTO	Non-Budgeted Proprietary	Statutory Appropriation	Total All Sources	% Total All Funds	
01100 General Fund	4,150,539	0	0	0	4,150,539	13.4%	
02049 Hard Rock Mining	551,378	0	0	435,736	987,114	9.6%	
02116 Accommodation Tax Account	277,029	0	0	0	277,029	2.7%	
02270 MT Coal Endowment	1,624,990	0	0	0	1,624,990	15.9%	
02445 Coal Board	7,352,076	0	0	0	7,352,076	71.8%	
State Special Total	\$9,805,473	\$0	\$0	\$435,736	\$10,241,209	33.1%	
03059 Community Development Block	15,065,588	0	0	0	15,065,588	90.9%	
03061 EDA Revolving Loan Fund	945,974	0	0	0	945,974	5.7%	
03932 CDBG RLF	566,232	0	0	0	566,232	3.4%	
Federal Special Total	\$16,577,794	\$0	\$0	\$0	\$16,577,794	53.5%	
Proprietary Total	\$0	\$0	\$0	\$0	\$0	0.0%	
Total All Funds	\$30,533,806	\$0	\$0	\$435,736	\$30,969,542		

HB 2 Authority

General Fund

General fund is used to provide matching funds for the Community Development Block Grant Program and support the Community Technical Assistance Program.

State Special Revenue

State special revenues are comprised of funding for the Coal Board, Montana Coal Endowment Program (MCEP), Montana Main Street Program, and the Hard Rock Mining Impact Board.

The Coal Board provides grants to governmental units to assist them in providing governmental services or facilities that are needed as a direct consequence of an increase or decrease in coal development or in the consumption of coal by the coal-using energy complex.

MCEP is a local government infrastructure-financing program funded by investment earnings on the coal severance tax funds. Revenue from the coal tax trust is transferred to the state special revenue fund for administrative costs (appropriated in HB 2) and grants (typically appropriated in HB 11).

The Hard Rock Mining Impact Board provides technical assistance to local governments to mitigate local government services, facility, and fiscal impacts related to new large-scale hard rock mining developments. The Board is funded with metal mines license tax distributions for administrative costs (appropriated in HB 2) and community distributions (statutorily appropriated).

Accommodations tax funds are used for the Montana Main Street Program to award competitive grants to communities focusing on planning and/or implementation projects directly related to downtown revitalization, development, and historic preservation. Additionally, these funds provide for the administration of the Montana Heritage Preservation Grant Program.

Federal Special Revenue

Federal special revenue is primarily for Community Development Block grants (CDBG) with the remaining portion being for the U.S. Economic Development Administration (EDA) revolving loan fund and the CDBG revolving loan fund. The CDBG provides funds to cities, towns, and counties with fewer than 50,000 residents. The purpose of these funds is to develop and preserve affordable housing, provide community services, and create and retain jobs.

Statutory Appropriations

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

Program Actuals and Budget Comparison

The following table compares FY 2024 actual expenditures, FY 2024 and FY 2025 appropriations, and the expenditures requested for FY 2026 and FY 2027 by type of expenditure and source of funding.

Program Actuals and Budget Comparison					
Budget Item	Actuals Fiscal 2024	Approp. Fiscal 2024	Approp. Fiscal 2025	Request Fiscal 2026	Request Fiscal 2027
PB	0.00	26.20	26.20	26.20	26.20
Personal Services	1,644,074	1,964,265	2,505,687	2,430,445	2,436,854
Operating Expenses	895,395	2,179,436	2,212,103	2,430,158	2,433,192
Grants	11,498,861	11,570,147	10,302,179	10,302,179	10,302,179
Debt Service	70,135	92,363	92,363	97,549	101,250
Total Expenditures	\$14,108,465	\$15,806,211	\$15,112,332	\$15,260,331	\$15,273,475
General Fund	1,394,856	1,471,617	1,986,674	2,072,517	2,078,022
State/Other Special Rev. Funds	4,007,675	4,860,937	4,904,956	4,900,166	4,905,307
Federal Spec. Rev. Funds	8,705,934	9,473,657	8,220,702	8,287,648	8,290,146
Total Funds	\$14,108,465	\$15,806,211	\$15,112,332	\$15,260,331	\$15,273,475
Total Ongoing	\$14,088,226	\$15,749,976	\$15,058,382	\$15,260,331	\$15,273,475
Total OTO	\$20,239	\$56,235	\$53,950	\$0	\$0

Program Description

The Community MT Division supports Montana’s local and economic development needs through outreach, technical assistance, and funding. The division promotes sustainable growth by investing in infrastructure, affordable housing, and community facilities via state and federal grant programs, including the Community Development Block Grant, Montana Coal Endowment Program, Montana Historic Preservation Grant Program, and others. Community MT also administers the Montana Coal Board and Hard Rock Mining Impact Board.

FY 2024 Appropriation Compared to FY 2024 Actual Expenditures

The Community MT Division expended 89.3% of its \$15.8 million HB 2 modified budget in FY 2024. Lower expenditures were primarily in operating expenses, which were 41.1% expended. This is due to lower expenditures for the Hard Rock Mining Program, Montana Coal Endowment Program, and Community Development Block Grant, as well as no expenditures for the EDA revolving loan fund and the Community Development Block Grant revolving loan fund. Lower expenditures were due to fewer loan distributions, less board meetings for the Hard Rock Mining Board, and the agency utilizing other non-HB 2 authority to pay for operating expenditures in FY 2024.

FY 2024 Appropriations Compared to FY 2025 Appropriation

The Community MT Division's appropriation authority for FY 2025 is approximately \$694,000, or 4.4%, less than that of FY 2024. This lower authority is due to a program transfer that occurred in FY 2024 to allocate unobligated authority to the Community Development Block Grant which experienced a greater number of qualified applicants than anticipated.

Present Law Adjustments

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

Present Law Adjustments	-----Fiscal 2026-----					-----Fiscal 2027-----				
	PB	General Fund	State Special	Federal Special	Total Funds	PB	General Fund	State Special	Federal Special	Total Funds
DP 1 - Personal Services	0.00	(2,917)	(65,120)	36,525	(31,512)	0.00	(70)	(63,066)	38,033	(25,103)
DP 2 - Fixed Costs	0.00	18,913	7,532	541	26,986	0.00	19,644	8,132	779	28,555
DP 3 - Inflation Deflation	0.00	(302)	(257)	(31)	(590)	0.00	(204)	(174)	(21)	(399)
DP 6005 - CMT ADMINISTRATIVE COSTS ADJUSTMENTS	0.00	124,099	53,055	29,911	207,065	0.00	125,928	55,459	30,653	212,040
Grand Total All Present Law Adjustments	0.00	\$139,793	(\$4,790)	\$66,946	\$201,949	0.00	\$145,298	\$351	\$69,444	\$215,093

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

DP 1 - Personal Services -

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

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

Department of Commerce Community MT Division FY 2026 Statewide Present Law Adjustment for Personal Services	
Legislative Changes	\$ 36,360
Management Changes	(67,872)
Total Budget Modifications	-
Total	\$(31,512)

The executive requests a decreased statewide present law adjustment for personal services primarily due to management changes. Decreased management changes were driven by a greater budgeted vacancy savings as well as hiring new positions at lower wage rates in the 2025 biennium. Legislative changes increased due to greater budgeted benefits and longevity costs.

DP 2 - Fixed Costs -

The executive requests adjustments to provide the funding required in the proposed budget to pay increases in fixed costs assessed by other agencies within state government for the services they provide. Examples include: audit fees, Capitol complex rent, information technology services, etc. The rates charged for these services are approved in the section of the budget that provides the services.

DP 3 - Inflation Deflation -

The executive requests adjustments to reflect budgetary changes generated from the application of inflation and deflation factors to specific expenditure accounts. Affected accounts include in-state state motor pool and motor pool leased vehicles.

DP 6005 - CMT ADMINISTRATIVE COSTS ADJUSTMENTS -

The executive requests adjustments for non-state rent increases per the terms of the negotiated lease and indirect costs paid to the Director's Office for support services provided to supported divisions, bureaus, and programs.

Program Base Budget Comparison

The following table compares the base budget with the requested expenditures for the upcoming biennium by type of expenditure and source of funding.

Program Base Budget Comparison						
Budget Item	Base Budget	Requested Budget		Biennium Change from Base		
	FY 2025	FY 2026	FY 2027	Amount	Percent	
PB	6.00	6.00	6.00	0.00	0.0%	
Federal Spec. Rev. Funds	10,138,997	12,114,011	12,022,974	3,858,991	19.0%	
Total Funds	10,138,997	12,114,011	12,022,974	3,858,991	19.0%	
Personal Services	500,888	532,678	535,389	66,291	6.6%	
Operating Expenses	6,215,446	559,314	464,597	(11,406,981)	(91.8%)	
Grants	3,400,000	10,998,000	10,998,000	15,196,000	223.5%	
Debt Service	22,663	24,019	24,988	3,681	8.1%	
Total Expenditures	10,138,997	12,114,011	12,022,974	3,858,991	19.0%	
Total Ongoing	10,138,997	12,114,011	12,022,974	3,858,991	19.0%	
Total One-Time-Only					0.0%	

Program Highlights

<p>Housing MT Division Major Budget Highlights</p>
<ul style="list-style-type: none"> • The Housing MT Division's 2027 biennium requested appropriations are approximately \$3.9 million or 19.0% higher than the FY 2025 base budget. Significant changes include: <ul style="list-style-type: none"> ◦ Increased federal special revenue for increased housing trust fund (HTF) and HOME Investment Partnerships Program (HOME) grants ◦ Increased statewide present law adjustments for personal services and fixed costs

Executive Request

The following table shows the total executive request with the base budget and the statewide present law adjustments, present law adjustments, and new proposals by source of funding.

Housing M T 2027 Biennium HB 2 Base Budget and Requested Adjustments										
	FY 2026					FY 2027				
	General Fund	State Special	Federal Special	Total Funds	% of Budget Request	General Fund	State Special	Federal Special	Total Funds	% of Budget Request
Base Budget	0	0	10,138,997	10,138,997	83.7%	0	0	10,138,997	10,138,997	84.3%
Statewide PL										
Personal Services	0	0	31,790	31,790	0.3%	0	0	34,501	34,501	0.3%
Fixed Costs	0	0	101,711	101,711	0.8%	0	0	6,428	6,428	0.1%
Inflation Deflation	0	0	(83)	(83)	(0.0%)	0	0	(56)	(56)	(0.0%)
Total Statewide PL	0	0	133,418	133,418	1.1%	0	0	40,873	40,873	0.3%
Present Law (PL)	0	0	1,841,596	1,841,596	15.2%	0	0	1,843,104	1,843,104	15.3%
New Proposals	0	0	0	0	0.0%	0	0	0	0	0.0%
Total HB 2 Adjustments	0	0	1,975,014	1,975,014	16.3%	0	0	1,883,977	1,883,977	15.7%
Total Requested Budget	0	0	12,114,011	12,114,011		0	0	12,022,974	12,022,974	

Funding

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

Department of Commerce, 74-Housing M T Funding by Source of Authority						
Funds	HB2 Ongoing	HB2 OTO	Non-Budgeted Proprietary	Statutory Appropriation	Total All Sources	% Total All Funds
General Fund	0	0	0	0	0	0.0%
State Special Total	\$0	\$0	\$0	\$0	\$0	0.0%
03300 Home Grants	11,560,174	0	0	0	11,560,174	47.9%
03585 HTF	12,576,811	0	0	0	12,576,811	52.1%
Federal Special Total	\$24,136,985	\$0	\$0	\$0	\$24,136,985	15.2%
06028 Emergency Housing Vouchers-Adm	0	0	318,668	0	318,668	0.2%
06029 Emergency Housing Vouchers-HAP	0	0	1,440,000	0	1,440,000	1.1%
06030 BOH Financial Program Fund	0	0	7,757,547	0	7,757,547	5.8%
06031 Housing Trust Fund	0	0	20,000	0	20,000	0.0%
06032 Mortgage Loan Servicing	0	0	4,750,646	0	4,750,646	3.5%
06037 Sect 8 Mod Rehab HAP	0	0	4,934,016	0	4,934,016	3.7%
06044 Mainstream HCVP-Admin	0	0	150,000	0	150,000	0.1%
06045 Mainstream HCVP-HAP	0	0	800,000	0	800,000	0.6%
06054 Section 8 HAP	0	0	48,101,012	0	48,101,012	35.7%
06074 SEC 8 Project Based	0	0	57,291,463	0	57,291,463	42.6%
06075 Section 8 Vouchers	0	0	8,265,595	0	8,265,595	6.1%
06078 Housing Montana Fund	0	0	20,000	0	20,000	0.0%
06079 Revolving Loan Fund - TANF	0	0	20,000	0	20,000	0.0%
06085 Section 8 Mod Rehab	0	0	690,868	0	690,868	0.5%
Proprietary Total	\$0	\$0	\$134,559,815	\$0	\$134,559,815	84.8%
Total All Funds	\$24,136,985	\$0	\$134,559,815	\$0	\$158,696,800	

HB 2 Authority

Federal Special Revenue

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

Non-Budgeted Proprietary

The majority of the Housing MT Division's funding is from proprietary funds. These funds are discussed in the non-budgeted proprietary budget analysis.

Program Actuals and Budget Comparison

The following table compares FY 2024 actual expenditures, FY 2024 and FY 2025 appropriations, and the expenditures requested for FY 2026 and FY 2027 by type of expenditure and source of funding.

Program Actuals and Budget Comparison					
Budget Item	Actuals Fiscal 2024	Approp. Fiscal 2024	Approp. Fiscal 2025	Request Fiscal 2026	Request Fiscal 2027
PB	0.00	6.00	6.00	6.00	6.00
Personal Services	368,805	481,578	500,888	532,678	535,389
Operating Expenses	156,191	6,504,355	6,215,446	559,314	464,597
Grants	8,667,226	2,346,032	3,400,000	10,998,000	10,998,000
Debt Service	18,202	22,663	22,663	24,019	24,988
Total Expenditures	\$9,210,424	\$9,354,628	\$10,138,997	\$12,114,011	\$12,022,974
Federal Spec. Rev. Funds	9,210,424	9,354,628	10,138,997	12,114,011	12,022,974
Total Funds	\$9,210,424	\$9,354,628	\$10,138,997	\$12,114,011	\$12,022,974
Total Ongoing	\$9,210,424	\$9,354,628	\$10,138,997	\$12,114,011	\$12,022,974
Total OTO	\$0	\$0	\$0	\$0	\$0

Program Description

The Housing MT Division supports Montana communities by facilitating access to safe, affordable, and sustainable housing for residents whose needs are unmet by the private market. The Division consists of three key units:

- Board of Housing: Serving as Montana’s statewide Housing Finance Agency (HFA), established under the Montana Housing Act of 1975 and administratively attached to the Department of Commerce, the Board of Housing operates on enterprise fund revenues generated from fees on financed projects and mortgages. It is self-supporting and does not receive general fund allocations
- Rental Assistance Bureau: As the statewide Public Housing Authority (PHA), the bureau administers various Housing and Urban Development (HUD) funded programs, funded through HUD administrative fees and performance-based contracts
- Community Housing: This unit manages HUD Community Planning and Development (CPD) programs focused on the development and preservation of affordable housing, such as the HOME Investment Partnership Program and the National Housing Trust Fund. It also administers the one-time Emergency Shelter Facility grant funded through HB 5. Community Housing programs are funded by federal and state special revenue, appropriated through HB 2 and HB 5

The Division’s responsibilities are defined under state statutes, executive orders, and federal regulations, primarily outlined in Montana Code Annotated Titles 2 and 90, and 24 CFR Parts 5, 91, 93, 245, 570, 792, 813, 882, 887, 891, 982, and 984.

FY 2024 Appropriation Compared to FY 2024 Actual Expenditures

The Housing MT Division expended 98.5% of its \$9.4 million modified HB 2 authority in FY 2024. The Housing MT Division is entirely funded by federal special revenue primarily for long-term housing projects. Operating expenditures were 2.4% expended while grants were 369.4% expended. This was due to federal reporting guidance that required expenditures be recorded under grant expenditure authority as opposed to operating expenditure authority. The division was unaware of this guidance when it proposed its 2025 biennium budget and therefore appropriated greater authority to operating expenses rather than grant authority. This oversight has been proposed to be corrected in the coming biennium.

FY 2024 Appropriations Compared to FY 2025 Appropriation

The Housing MT Division's total appropriation authority for FY 2025 is \$784,000 or 8.4% greater than FY 2024. This increase is primarily due to greater grant expenditure authority due to a program transfer that transferred approximately \$768,000 from the Housing MT Division to the Community MT Division in FY 2024. Due to the timing of housing grants for the HOME and HTF programs there was going to be excess appropriation authority. This authority was transferred to the Community MT Division to make up for its appropriation authority shortfall for Community Development Block Grants.

Present Law Adjustments

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

Present Law Adjustments	-----Fiscal 2026-----					-----Fiscal 2027-----				
	PB	General Fund	State Special	Federal Special	Total Funds	PB	General Fund	State Special	Federal Special	Total Funds
DP 1 - Personal Services	0.00	0	0	31,790	31,790	0.00	0	0	34,501	34,501
DP 2 - Fixed Costs	0.00	0	0	101,711	101,711	0.00	0	0	6,428	6,428
DP 3 - Inflation Deflation	0.00	0	0	(83)	(83)	0.00	0	0	(56)	(56)
DP 7405 - HMT ADMINISTRATIVE COSTS ADJUSTMENTS	0.00	0	0	1,841,596	1,841,596	0.00	0	0	1,843,104	1,843,104
Grand Total All Present Law Adjustments	0.00	\$0	\$0	\$1,975,014	\$1,975,014	0.00	\$0	\$0	\$1,883,977	\$1,883,977

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

DP 1 - Personal Services -

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

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

Department of Commerce Housing MT Division FY 2026 Statewide Present Law Adjustment for Personal Services	
Legislative Changes	\$ 11,113
Management Changes	20,677
Total Budget Modifications	-
Total	\$ 31,790

The executive requests an increased statewide present law adjustment for personal services primarily attributed to management changes due to hiring new positions at increased wage rates. Legislative changes also increased due to increased benefits.

DP 2 - Fixed Costs -

The executive requests adjustments to provide the funding required in the proposed budget to pay increases in fixed costs assessed by other agencies within state government for the services they provide. Examples include: audit fees, Capitol complex rent, information technology services, etc. The rates charged for these services are approved in the section of the budget that provides the services.

DP 3 - Inflation Deflation -

The executive requests adjustments to reflect budgetary changes generated from the application of inflation and deflation factors to specific expenditure accounts. Affected accounts include in-state state motor pool and motor pool leased vehicles.

DP 7405 - HMT ADMINISTRATIVE COSTS ADJUSTMENTS -

The executive requests adjustments for non-state rent increases per the terms of the negotiated lease, and indirect costs paid to the Director's Office for support services provided to supported divisions, bureaus, and programs. The decision package increases appropriations for grants in the HOME and HTF programs for the amount of federal funds projected to be available in the 2027 Biennium.

New Proposals

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

New Proposals	-----Fiscal 2026-----					-----Fiscal 2027-----				
	PB	General Fund	State Special	Federal Special	Total Funds	PB	General Fund	State Special	Federal Special	Total Funds
DP 7401 - HOUSING DIVISION FEDERAL (BIEN)	0.00	0	0	0	0	0.00	0	0	0	0
Total	0.00	\$0	\$0	\$0	\$0	0.00	\$0	\$0	\$0	\$0

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

DP 7401 - HOUSING DIVISION FEDERAL (BIEN) -

The executive requests that appropriations for federal funds received from HUD for the HOME Program, and the Housing Trust Fund Program, be established as biennial, beginning with the 2027 biennium to better align with the federal funding schedule and grant award cycle. No additional authority is being requested. This request would make the entire FY 2025 base budget of \$10.1 million biennial, as well as any other additional authority approved for the 2027 biennium.

Program Base Budget Comparison

The following table compares the base budget with the requested expenditures for the upcoming biennium by type of expenditure and source of funding.

Program Base Budget Comparison						
Budget Item	Base Budget	Requested Budget		Biennium Change from Base		
	FY 2025	FY 2026	FY 2027	Amount	Percent	
PB	1.25	1.25	1.25	0.00	0.0%	
General Fund	250,000	250,000	250,000		0.0%	
State/Other Special Rev. Funds	213,554	241,742	241,908	56,542	13.2%	
Total Funds	463,554	491,742	491,908	56,542	6.1%	
Personal Services	27,761	27,761	27,761		0.0%	
Operating Expenses	435,793	463,981	464,147	56,542	6.5%	
Total Expenditures	463,554	491,742	491,908	56,542	6.1%	
Total Ongoing	463,554	491,742	491,908	56,542	6.1%	
Total One-Time-Only					0.0%	

Program Highlights

Board of Horse Racing Major Budget Highlights
<ul style="list-style-type: none"> • The Board of Horse Racing's 2027 biennium requested appropriations are approximately \$57,000 or 6.1% higher than the FY 2025 base budget. Significant changes include: <ul style="list-style-type: none"> ◦ Increased statewide present law adjustments for personal services and fixed cost ◦ The statewide present law adjustment to personal services is partially offset by removing appropriation authority for the executive secretary position that is contracted and paid out of operating expenses ◦ Increased administrative adjustment for greater indirect costs for support services as well as increased costs relating to laboratory testing

Executive Request

The following table shows the total executive request with the base budget and the statewide present law adjustments, present law adjustments, and new proposals by source of funding.

Board of Horse Racing 2027 Biennium HB 2 Base Budget and Requested Adjustments										
	FY 2026					FY 2027				
	General Fund	State Special	Federal Special	Total Funds	% of Budget Request	General Fund	State Special	Federal Special	Total Funds	% of Budget Request
Base Budget	250,000	213,554	0	463,554	94.3%	250,000	213,554	0	463,554	94.2%
Statewide PL										
Personal Services	0	75,550	0	75,550	15.4%	0	75,552	0	75,552	15.4%
Fixed Costs	0	6,387	0	6,387	1.3%	0	6,553	0	6,553	1.3%
Inflation Deflation	0	0	0	0	0.0%	0	0	0	0	0.0%
Total Statewide PL	0	81,937	0	81,937	16.7%	0	82,105	0	82,105	16.7%
Present Law (PL)	0	(53,749)	0	(53,749)	(10.9%)	0	(53,751)	0	(53,751)	(10.9%)
New Proposals	0	0	0	0	0.0%	0	0	0	0	0.0%
Total HB 2 Adjustments	0	28,188	0	28,188	5.7%	0	28,354	0	28,354	5.8%
Total Requested Budget	250,000	241,742	0	491,742		250,000	241,908	0	491,908	

Funding

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

Department of Commerce, 78-Board of Horse Racing Funding by Source of Authority						
Funds	HB2 Ongoing	HB2 OTO	Non-Budgeted Proprietary	Statutory Appropriation	Total All Sources	% Total All Funds
01100 General Fund	500,000	0	0	0	500,000	28.5%
02029 BOHR Operation Fund	483,650	0	0	770,000	1,253,650	100.0%
State Special Total	\$483,650	\$0	\$0	\$770,000	\$1,253,650	71.5%
Federal Special Total	\$0	\$0	\$0	\$0	\$0	0.0%
Proprietary Total	\$0	\$0	\$0	\$0	\$0	0.0%
Total All Funds	\$983,650	\$0	\$0	\$770,000	\$1,753,650	

HB 2 Authority

General Fund

The 2023 Legislature adopted general fund authority for additional operating expenses. This authority is used for the Montana Breeders Incentive Program which provides money to all Montana bred horses that start at a Montana race facility. These funds are also used for capital improvements, equipment maintenance and replacements, and race purses.

State Special Revenue

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

Statutory Authority

Funds collected for live horse racing purses are deposited in the state special revenue account and are then statutorily appropriated to the board for disbursement of funds as authorized in 23-4-105, MCA.

Program Actuals and Budget Comparison

The following table compares FY 2024 actual expenditures, FY 2024 and FY 2025 appropriations, and the expenditures requested for FY 2026 and FY 2027 by type of expenditure and source of funding.

Program Actuals and Budget Comparison					
Budget Item	Actuals Fiscal 2024	Approp. Fiscal 2024	Approp. Fiscal 2025	Request Fiscal 2026	Request Fiscal 2027
PB	0.00	1.25	1.25	1.25	1.25
Personal Services	14,592	23,032	27,761	27,761	27,761
Operating Expenses	419,388	435,642	435,793	463,981	464,147
Total Expenditures	\$433,980	\$458,674	\$463,554	\$491,742	\$491,908
General Fund	250,000	250,000	250,000	250,000	250,000
State/Other Special Rev. Funds	183,980	208,674	213,554	241,742	241,908
Total Funds	\$433,980	\$458,674	\$463,554	\$491,742	\$491,908
Total Ongoing	\$433,980	\$458,674	\$463,554	\$491,742	\$491,908
Total OTO	\$0	\$0	\$0	\$0	\$0

Program Description

Established in 1965, the Montana Board of Horse Racing regulates and monitors horse racing in Montana. Over the years, its role has expanded to include support and guidance for the industry, with the goal of fostering growth and sustainability. The board is funded through HB 2 and statutory appropriations, using revenue from licenses, fees, and a portion of wagering on live and remote races. Its work is mandated under Title 2, Chapter 15, and Title 23, Chapter 4 of the Montana Code Annotated.

FY 2024 Appropriation Compared to FY 2024 Actual Expenditures

The Board of Horse Racing expended 94.6% of its approximately \$459,000 modified HB 2 appropriation authority in FY 2024. General fund authority was entirely expended while state special revenue was only 88.2% expended. Personal services were only 63.4% expended while operating expenses were 96.3% expended. Lower personal services expenditures were due to the Board entering into contracts with race stewards, paid from operating expenses, rather than hiring them as short-term workers, paid out of personal services authority.

FY 2024 Appropriations Compared to FY 2025 Appropriation

The Board of Horse Racing's total appropriation authority for FY 2025 is approximately \$5,000 or 1.1% greater than FY 2024. This increase is almost entirely attributed to greater personal services authority due to greater HB 13, pay plan, authority.

Present Law Adjustments

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

	-----Fiscal 2026-----					-----Fiscal 2027-----				
	PB	General Fund	State Special	Federal Special	Total Funds	PB	General Fund	State Special	Federal Special	Total Funds
DP 1 - Personal Services	0.00	0	75,550	0	75,550	0.00	0	75,552	0	75,552
DP 2 - Fixed Costs	0.00	0	6,387	0	6,387	0.00	0	6,553	0	6,553
DP 7805 - BOHR ADMINISTRATIVE COSTS ADJUSTMENTS	0.00	0	(53,749)	0	(53,749)	0.00	0	(53,751)	0	(53,751)
Grand Total All Present Law Adjustments	0.00	\$0	\$28,188	\$0	\$28,188	0.00	\$0	\$28,354	\$0	\$28,354

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

DP 1 - Personal Services -

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

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

Department of Commerce Board of Horse Racing FY 2026 Statewide Present Law Adjustment for Personal Services	
Legislative Changes	\$ 87,358
Management Changes	(11,808)
Total Budget Modifications	-
Total	\$ 75,550

The executive requests an increased statewide present law adjustment for personal services. The Board of Horse Racing has 1.25 HB 2 PB, 1.00 PB for an executive secretary and 0.25 PB short-term workers. The executive secretary position has historically been contracted out and expended with operating expense funds. Therefore, present law personal service funding is not needed and is removed through a decision package. However, this funding is recaptured during the snapshot statewide personal services adjustment.

DP 2 - Fixed Costs -

The executive requests adjustments to provide the funding required in the proposed budget to pay increases in fixed costs assessed by other agencies within state government for the services they provide. Examples include: audit fees, Capitol complex rent, information technology services, etc. The rates charged for these services are approved in the section of the budget that provides the services.

DP 7805 - BOHR ADMINISTRATIVE COSTS ADJUSTMENTS -

The executive requests a reduction to the Board of Horse Racing's 2027 Biennium personal services budget to current estimates for the 2027 Biennium. The Board of Horse Racing currently is contracting for its executive secretary, which is funded through an operating expense category. This change package removes the 2027 Biennium personal services funding for the position without removing the board's executive secretary position. The request also includes adjustments for indirect costs paid to the Director's Office for support services provided to supported divisions, bureaus, and programs, as well as an increase based on the rising costs of laboratory testing.

Program Base Budget Comparison

The following table compares the base budget with the requested expenditures for the upcoming biennium by type of expenditure and source of funding.

Program Base Budget Comparison						
Budget Item	Base Budget	Requested Budget		Biennium Change from Base		
	FY 2025	FY 2026	FY 2027	Amount	Percent	
PB	8.00	8.00	8.00	0.00	0.0%	
State/Other Special Rev. Funds	2,612,770	2,633,802	2,635,839	44,101	0.8%	
Total Funds	2,612,770	2,633,802	2,635,839	44,101	0.8%	
Personal Services	688,658	690,686	691,768	5,138	0.4%	
Operating Expenses	1,474,112	1,493,116	1,494,071	38,963	1.3%	
Equipment & Intangible Assets	150,000	150,000	150,000		0.0%	
Capital Outlay	300,000	300,000	300,000		0.0%	
Total Expenditures	2,612,770	2,633,802	2,635,839	44,101	0.8%	
Total Ongoing	2,612,770	2,633,802	2,635,839	44,101	0.8%	
Total One-Time-Only					0.0%	

Program Highlights

Montana Heritage Commission Major Budget Highlights
<ul style="list-style-type: none"> • The Montana Heritage Commission 2027 biennium requested appropriations are approximately \$44,000 or 0.8% higher than the FY 2025 base budget. Significant changes include: <ul style="list-style-type: none"> ◦ Increased administrative cost adjustments for indirect costs for support services ◦ Decreased statewide present law adjustments for fixed costs

Executive Request

The following table shows the total executive request with the base budget and the statewide present law adjustments, present law adjustments, and new proposals by source of funding.

Montana Heritage Commission 2027 Biennium HB 2 Base Budget and Requested Adjustments										
	FY 2026					FY 2027				
	General Fund	State Special	Federal Special	Total Funds	% of Budget Request	General Fund	State Special	Federal Special	Total Funds	% of Budget Request
Base Budget	0	2,612,770	0	2,612,770	99.2%	0	2,612,770	0	2,612,770	99.1%
Statewide PL										
Personal Services	0	2,028	0	2,028	0.1%	0	3,110	0	3,110	0.1%
Fixed Costs	0	(29,900)	0	(29,900)	(1.1%)	0	(29,161)	0	(29,161)	(1.1%)
Inflation Deflation	0	0	0	0	0.0%	0	0	0	0	0.0%
Total Statewide PL	0	(27,872)	0	(27,872)	(1.1%)	0	(26,051)	0	(26,051)	(1.0%)
Present Law (PL)	0	48,904	0	48,904	1.9%	0	49,120	0	49,120	1.9%
New Proposals	0	0	0	0	0.0%	0	0	0	0	0.0%
Total HB 2 Adjustments	0	21,032	0	21,032	0.8%	0	23,069	0	23,069	0.9%
Total Requested Budget	0	2,633,802	0	2,633,802		0	2,635,839	0	2,635,839	

Funding

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

Department of Commerce, 80-Montana Heritage Commission Funding by Source of Authority							
Funds	HB2 Ongoing	HB2 OTO	Non-Budgeted Proprietary	Statutory Appropriation	Total All Sources	% Total All Funds	
General Fund		0	0	0	0	0.0%	
02102 Montana Heritage Commission	5,269,641	0	0	0	5,269,641	100.0%	
State Special Total	\$5,269,641	\$0	\$0	\$0	\$5,269,641	100.0%	
Federal Special Total	\$0	\$0	\$0	\$0	\$0	0.0%	
Proprietary Total	\$0	\$0	\$0	\$0	\$0	0.0%	
Total All Funds	\$5,269,641	\$0	\$0	\$0	\$5,269,641		

HB 2 Authority

State Special Revenue

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

Program Actuals and Budget Comparison

The following table compares FY 2024 actual expenditures, FY 2024 and FY 2025 appropriations, and the expenditures requested for FY 2026 and FY 2027 by type of expenditure and source of funding.

Program Actuals and Budget Comparison					
Budget Item	Actuals Fiscal 2024	Approp. Fiscal 2024	Approp. Fiscal 2025	Request Fiscal 2026	Request Fiscal 2027
PB	0.00	8.00	8.00	8.00	8.00
Personal Services	691,738	693,212	688,658	690,686	691,768
Operating Expenses	824,665	1,056,969	1,474,112	1,493,116	1,494,071
Equipment & Intangible Assets	0	0	150,000	150,000	150,000
Capital Outlay	697,835	750,000	300,000	300,000	300,000
Total Expenditures	\$2,214,238	\$2,500,181	\$2,612,770	\$2,633,802	\$2,635,839
State/Other Special Rev. Funds	2,214,238	2,500,181	2,612,770	2,633,802	2,635,839
Total Funds	\$2,214,238	\$2,500,181	\$2,612,770	\$2,633,802	\$2,635,839
Total Ongoing	\$2,214,238	\$2,500,181	\$2,612,770	\$2,633,802	\$2,635,839
Total OTO	\$0	\$0	\$0	\$0	\$0

Program Description

The Montana Heritage Preservation and Development Commission (MHC) was established by the 55th Montana Legislature in 1997 to acquire and manage historic properties for the state. Its initial acquisition included Virginia and Nevada City, comprising of 248 buildings and 1.2 million Americana artifacts across 260 acres. Since then, the Montana Board of Land Commissioners has approved additional acquisitions, including Reeder’s Alley and the Pioneer Cabin in Helena, and Stonewall Hall with the Dudley Garage in Virginia City, primarily through private donations.

The MHC is legislatively authorized to preserve these heritage sites “in a manner that protects the properties and encourages economic stability” (MCA 22-3-1001). Its statutory mission is to manage properties with significant historical value that represent Montana’s culture and history. The MHC oversees the maintenance, stabilization, artifact conservation, and preservation of these sites, while expanding their economic and educational potential for public benefit.

FY 2024 Appropriation Compared to FY 2024 Actual Expenditures

In FY 2024, the Montana Heritage Commission expended 88.6% of its approximately \$2.5 million modified HB 2 appropriation authority. Personal services were 99.8% expended, operating expenses were 78.0% expended, and capital outlay was 93.0% expended. Operating expenses were lower expended due to the Commission bringing in less revenue in FY 2024.

FY 2024 Appropriations Compared to FY 2025 Appropriation

The Montana Heritage Commission’s appropriation for FY 2025 is approximately \$113,000, or 4.5%, higher than in FY 2024. This increase is primarily due to greater authority for operating expenses due to increased projected statewide present law adjustments in FY 2025 as compared to FY 2024. Additionally, during the 2025 biennium \$150,000 was transferred from equipment and intangible assets expenditure authority to capital outlay in FY 2024 to properly record repair and maintenance expenditures.

Present Law Adjustments

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

	Fiscal 2026					Fiscal 2027				
	PB	General Fund	State Special	Federal Special	Total Funds	PB	General Fund	State Special	Federal Special	Total Funds
DP 1 - Personal Services	0.00	0	2,028	0	2,028	0.00	0	3,110	0	3,110
DP 2 - Fixed Costs	0.00	0	(29,900)	0	(29,900)	0.00	0	(29,161)	0	(29,161)
DP 8005 - MHC ADMINISTRATIVE COSTS ADJUSTMENTS	0.00	0	48,904	0	48,904	0.00	0	49,120	0	49,120
Grand Total All Present Law Adjustments	0.00	\$0	\$21,032	\$0	\$21,032	0.00	\$0	\$23,069	\$0	\$23,069

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

DP 1 - Personal Services -

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

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

Department of Commerce Montana Heritage Commission FY 2026 Statewide Present Law Adjustment for Personal Services	
Legislative Changes	\$ (2,153)
Management Changes	4,181
Total Budget Modifications	-
Total	\$ 2,028

The executive requests an increase in statewide present law adjustments for personal services. This adjustment reflects management changes, including exempt and temporary pay increases. However, the increase is partially offset by a reduction for budgeted benefits in legislative changes.

DP 2 - Fixed Costs -

The executive requests adjustments to provide the funding required in the proposed budget to pay increases in fixed costs assessed by other agencies within state government for the services they provide. Examples include: audit fees, Capitol complex rent, information technology services, etc. The rates charged for these services are approved in the section of the budget that provides the services.

DP 8005 - MHC ADMINISTRATIVE COSTS ADJUSTMENTS -

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

Program Base Budget Comparison

The following table compares the base budget with the requested expenditures for the upcoming biennium by type of expenditure and source of funding.

Program Base Budget Comparison						
Budget Item	Base Budget		Requested Budget		Biennium Change from Base	
	FY 2025	FY 2026	FY 2027	Amount	Percent	
PB	6.35	6.35	6.35	0.00	0.0%	
General Fund	980,277	1,072,003	1,082,970	194,419	9.9%	
State/Other Special Rev. Funds	8,975	8,975	8,975		0.0%	
Federal Spec. Rev. Funds	600,000	600,000	600,000		0.0%	
Total Funds	1,589,252	1,680,978	1,691,945	194,419	6.1%	
Personal Services	650,408	631,061	636,105	(33,650)	(2.6%)	
Operating Expenses	273,827	381,128	384,357	217,831	39.8%	
Grants	600,000	600,000	600,000		0.0%	
Debt Service	65,017	68,789	71,483	10,238	7.9%	
Total Expenditures	1,589,252	1,680,978	1,691,945	194,419	6.1%	
Total Ongoing	1,589,252	1,680,978	1,691,945	194,419	6.1%	
Total One-Time-Only					0.0%	

Program Highlights

Director's Office Major Budget Highlights
<ul style="list-style-type: none"> • The Director's Office's 2027 biennium requested appropriations are approximately \$194,000 or 6.1% higher than the FY 2025 base budget. Significant changes include: <ul style="list-style-type: none"> ◦ Increased statewide present law adjustments for fixed costs ◦ Increased administrative cost adjustments for building rent and indirect costs for support services

Executive Request

The following table shows the total executive request with the base budget and the statewide present law adjustments, present law adjustments, and new proposals by source of funding.

Director's Office 2027 Biennium HB 2 Base Budget and Requested Adjustments										
	FY 2026					FY 2027				
	General Fund	State Special	Federal Special	Total Funds	% of Budget Request	General Fund	State Special	Federal Special	Total Funds	% of Budget Request
Base Budget	980,277	8,975	600,000	1,589,252	94.5%	980,277	8,975	600,000	1,589,252	93.9%
Statewide PL										
Personal Services	(19,347)	0	0	(19,347)	(1.2%)	(14,303)	0	0	(14,303)	(0.8%)
Fixed Costs	59,940	0	0	59,940	3.6%	62,149	0	0	62,149	3.7%
Inflation Deflation	(52)	0	0	(52)	(0.0%)	(35)	0	0	(35)	(0.0%)
Total Statewide PL	40,541	0	0	40,541	2.4%	47,811	0	0	47,811	2.8%
Present Law (PL)	51,185	0	0	51,185	3.0%	54,882	0	0	54,882	3.2%
New Proposals	0	0	0	0	0.0%	0	0	0	0	0.0%
Total HB 2 Adjustments	91,726	0	0	91,726	5.5%	102,693	0	0	102,693	6.1%
Total Requested Budget	1,072,003	8,975	600,000	1,680,978		1,082,970	8,975	600,000	1,691,945	

Funding

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

Department of Commerce, 81-Director's Office Funding by Source of Authority						
Funds	HB2 Ongoing	HB2 OTO	Non-Budgeted Proprietary	Statutory Appropriation	Total All Sources	% Total All Funds
01100 General Fund	2,154,973	0	0	0	2,154,973	23.5%
02324 Community Reinvestment	17,950	0	0	0	17,950	100.0%
State Special Total	\$17,950	\$0	\$0	\$0	\$17,950	0.2%
03441 MCDD	1,200,000	0	0	0	1,200,000	100.0%
Federal Special Total	\$1,200,000	\$0	\$0	\$0	\$1,200,000	13.1%
06542 Commerce Centralized Services	0	0	5,807,103	0	5,807,103	100.0%
Proprietary Total	\$0	\$0	\$5,807,103	\$0	\$5,807,103	63.3%
Total All Funds	\$3,372,923	\$0	\$5,807,103	\$0	\$9,180,026	

HB 2 Authority

General Fund

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

State Special Revenue

The reorganization also transferred authority for the census voting district project state special fund to the Director's Office. This is a small amount of state special revenue authority used as a holdover account for the state library grant called the community reinvestment fund.

Federal Special Revenue

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

Non-Budgeted Proprietary Funding

The Director’s Office is also 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 non-budgeted proprietary rates budget analysis.

Program Actuals and Budget Comparison

The following table compares FY 2024 actual expenditures, FY 2024 and FY 2025 appropriations, and the expenditures requested for FY 2026 and FY 2027 by type of expenditure and source of funding.

Program Actuals and Budget Comparison					
Budget Item	Actuals Fiscal 2024	Approp. Fiscal 2024	Approp. Fiscal 2025	Request Fiscal 2026	Request Fiscal 2027
PB	0.00	6.35	6.35	6.35	6.35
Personal Services	471,640	475,031	650,408	631,061	636,105
Operating Expenses	301,753	300,348	273,827	381,128	384,357
Grants	513,842	600,000	600,000	600,000	600,000
Debt Service	50,937	51,017	65,017	68,789	71,483
Total Expenditures	\$1,338,172	\$1,426,396	\$1,589,252	\$1,680,978	\$1,691,945
General Fund	815,985	817,421	980,277	1,072,003	1,082,970
State/Other Special Rev. Funds	0	8,975	8,975	8,975	8,975
Federal Spec. Rev. Funds	522,187	600,000	600,000	600,000	600,000
Total Funds	\$1,338,172	\$1,426,396	\$1,589,252	\$1,680,978	\$1,691,945
Total Ongoing	\$1,338,172	\$1,426,396	\$1,589,252	\$1,680,978	\$1,691,945
Total OTO	\$0	\$0	\$0	\$0	\$0

Program Description

Director’s Office:

The Director’s Office oversees the department’s mission to promote economic and community development across the state. It provides support services, including accounting, budgeting, legal affairs, human resources, information technology, communications, marketing, and research. Additionally, the office establishes partnerships with private businesses, local governments, nonprofit organizations, the legislature, tribal entities, and other stakeholders. It offers centralized services to all divisions, programs, and administratively attached boards and commissions within the agency. The primary responsibilities of the Director’s Office are set forth in Title 2, Chapter 15, and Title 90, Chapter 1 of the Montana Code Annotated.

Montana Council on Developmental Disabilities:

The Montana Council on Developmental Disabilities is a citizen-based advocacy organization appointed by the Governor, focused on supporting the independence, integration, and productivity of individuals with developmental disabilities. The council administers federal funds to support comprehensive services, assist with state planning activities, and create model programs in partnership with public and private agencies. These responsibilities are outlined in Title 53, Chapter 20 of the Montana Code Annotated.

FY 2024 Appropriation Compared to FY 2024 Actual Expenditures

In FY 2024, the Director’s Office expended 93.8% of its approximately \$1.4 million modified appropriation authority under HB 2. Grant expenditures were slightly lower at 85.6%, as the funds support multi-year projects. This level of spending is consistent with historical patterns.

FY 2024 Appropriations Compared to FY 2025 Appropriation

The Director's Office appropriation authority for FY 2025 is approximately \$163,000, or 11.4%, higher than in FY 2024. This increase primarily reflects additional funding for personal services and a small increase in debt services. Personal services appropriation authority for FY 2025 is higher than in FY 2024, reflecting the 2023 Legislature's adjustments for statewide present law projections and additional authority under HB 13 (the pay plan). Additionally, a program transfer occurred in the 2025 biennium which transferred 2.00 PB and associated funding, increasing FY 2025's personal services authority. Lower operating expense authority in FY 2025 slightly offset the increase due to a reallocation of inflationary adjustments passed during the 2023 Legislative Session to other divisions.

Present Law Adjustments

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

Present Law Adjustments	-----Fiscal 2026-----					-----Fiscal 2027-----				
	PB	General Fund	State Special	Federal Special	Total Funds	PB	General Fund	State Special	Federal Special	Total Funds
DP 1 - Personal Services	0.00	(19,347)	0	0	(19,347)	0.00	(14,303)	0	0	(14,303)
DP 2 - Fixed Costs	0.00	59,940	0	0	59,940	0.00	62,149	0	0	62,149
DP 3 - Inflation Deflation	0.00	(52)	0	0	(52)	0.00	(35)	0	0	(35)
DP 8105 - DO ADMINISTRATIVE COSTS ADJUSTMENTS	0.00	51,185	0	0	51,185	0.00	54,882	0	0	54,882
Grand Total All Present Law Adjustments	0.00	\$91,726	\$0	\$0	\$91,726	0.00	\$102,693	\$0	\$0	\$102,693

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

DP 1 - Personal Services -

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

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

Department of Commerce Director's Office FY 2026 Statewide Present Law Adjustment for Personal Services	
Legislative Changes	\$ (3,503)
Management Changes	377
Total Budget Modifications	<u>(16,221)</u>
Total	<u><u>\$(19,347)</u></u>

The executive requests a reduction in statewide present law adjustments for personal services, primarily due to budget modifications that transferred additional personal services authority unrelated to PB. Additionally, legislative changes decreased due to lower budgeted benefit costs.

DP 2 - Fixed Costs -

The executive requests adjustments to provide the funding required in the proposed budget to pay increases in fixed costs assessed by other agencies within state government for the services they provide. Examples include: audit fees, Capitol complex rent, information technology services, etc. The rates charged for these services are approved in the section of the budget that provides the services.

DP 3 - Inflation Deflation -

The executive requests adjustments to reflect budgetary changes generated from the application of inflation and deflation factors to specific expenditure accounts. Affected accounts include in-state state motor pool and motor pool leased vehicles.

DP 8105 - DO ADMINISTRATIVE COSTS ADJUSTMENTS -

The executive requests adjustments for increased non-state building rent per the terms of the lease agreement, and indirect costs paid to the Director's Office's Centralized Services for support services provided to supported divisions, bureaus, and programs.