

# DEPARTMENT OF COMMERCE

## Section A

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### JOINT SUBCOMMITTEE OF HOUSE APPROPRIATIONS AND SENATE FINANCE AND CLAIMS COMMITTEES

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#### -----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	115.33	115.33	115.33	0.00	0.0%	
Proprietary Funds	79,475,160	79,488,967	79,205,991	(255,362)	(0.2%)	
<b>Total Funds</b>	<b>79,475,160</b>	<b>79,488,967</b>	<b>79,205,991</b>	<b>(255,362)</b>	<b>(0.2%)</b>	
Personal Services	13,319,898	12,959,876	12,989,834	(690,086)	(2.6%)	
Operating Expenses	10,246,780	10,629,750	10,298,347	434,537	2.1%	
Equipment & Intangible Assets	312,000	312,000	312,000		0.0%	
Grants	150,000	150,000	150,000		0.0%	
Benefits & Claims	54,789,200	54,789,200	54,789,200		0.0%	
Transfers	35,000			(70,000)	(100.0%)	
Debt Service	622,282	648,141	666,610	70,187	5.6%	
<b>Total Expenditures</b>	<b>79,475,160</b>	<b>79,488,967</b>	<b>79,205,991</b>	<b>(255,362)</b>	<b>(0.2%)</b>	
<b>Total Ongoing</b>	<b>79,475,160</b>	<b>79,488,967</b>	<b>79,205,991</b>	<b>(255,362)</b>	<b>(0.2%)</b>	
<b>Total One-Time-Only</b>					<b>0.0%</b>	

Agency Highlights

Department of Commerce Major Budget Highlights
<ul style="list-style-type: none"> <li>• The Department of Commerce's 2027 biennium proposed non-budgeted proprietary appropriations are approximately \$255,000 or 0.2% less than the FY 2025 base budget. Significant changes include:                             <ul style="list-style-type: none"> <li>◦ Decreased statewide present law adjustments for personal services</li> <li>◦ The removal of indirect administrative costs from the Board of Investments budget</li> <li>◦ Increased statewide present law adjustments for fixed costs and administrative cost adjustments for all other divisions</li> </ul> </li> </ul>

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				% of Budget Request	FY 2027				% of Budget Request
	General Fund	State Special	Federal Special	Total Funds		General Fund	State Special	Federal Special	Total Funds	
<b>Base Budget</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>79,475,160</b>	<b>100.0%</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>79,475,160</b>	<b>100.3%</b>
Statewide PL										
Personal Services	0	0	0	(362,522)	(0.5%)	0	0	0	(332,564)	(0.4%)
Fixed Costs	0	0	0	605,402	0.8%	0	0	0	269,071	0.3%
Inflation Deflation	0	0	0	(1,048)	(0.0%)	0	0	0	(708)	(0.0%)
<b>Total Statewide PL</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>241,832</b>	<b>0.3%</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>(64,201)</b>	<b>(0.1%)</b>
Present Law (PL)	0	0	0	(228,025)	(0.3%)	0	0	0	(204,968)	(0.3%)
New Proposals	0	0	0	0	0.0%	0	0	0	0	0.0%
<b>Total Adjustments</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>13,807</b>	<b>0.0%</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>(269,169)</b>	<b>(0.3%)</b>
<b>Total Requested Budget</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>79,488,967</b>		<b>0</b>	<b>0</b>	<b>0</b>	<b>79,205,991</b>	

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
<b>01100 General Fund</b>	<b>12,917,365</b>			<b>3,600,000</b>	<b>16,517,365</b>	<b>4.4%</b>
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%
<b>State Special Revenue Total</b>	<b>20,957,026</b>			<b>126,576,086</b>	<b>147,533,112</b>	<b>38.9%</b>
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%
<b>Federal Special Revenue Total</b>	<b>43,691,482</b>			<b>2,001,273</b>	<b>45,692,755</b>	<b>12.1%</b>
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%
<b>Proprietary Fund Total</b>			<b>158,694,958</b>	<b>10,600,000</b>	<b>169,294,958</b>	<b>44.7%</b>
<b>Total of All Funds</b>	<b>77,565,873</b>		<b>158,694,958</b>	<b>142,777,359</b>	<b>379,038,190</b>	
<b>Percent of All Sources of Authority</b>	<b>20.5%</b>	<b>0.0%</b>	<b>41.9%</b>	<b>37.7%</b>		

*Non-Budgeted Proprietary Funds*

Non-budgeted proprietary funds are primarily for the Housing MT Division but also includes authority for the Board of Investments, Facility Finance Authority, and the Director’s Office. These funds are discussed in further detail at the program level analysis.

**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	115.33	115.33	115.33	115.33
Personal Services	12,864,003	13,160,709	13,319,898	12,959,876	12,989,834
Operating Expenses	9,477,268	10,844,197	10,246,780	10,629,750	10,298,347
Equipment & Intangible Assets	0	0	312,000	312,000	312,000
Grants	50,000	100,000	150,000	150,000	150,000
Benefits & Claims	52,605,429	55,670,725	54,789,200	54,789,200	54,789,200
Transfers	0	35,000	35,000	0	0
Debt Service	374,809	625,282	622,282	648,141	666,610
<b>Total Expenditures</b>	<b>\$75,371,509</b>	<b>\$80,435,913</b>	<b>\$79,475,160</b>	<b>\$79,488,967</b>	<b>\$79,205,991</b>
Proprietary Funds	75,371,509	80,435,913	79,475,160	79,488,967	79,205,991
<b>Total Funds</b>	<b>\$75,371,509</b>	<b>\$80,435,913</b>	<b>\$79,475,160</b>	<b>\$79,488,967</b>	<b>\$79,205,991</b>
<b>Total Ongoing</b>	<b>\$75,371,509</b>	<b>\$80,435,913</b>	<b>\$79,475,160</b>	<b>\$79,488,967</b>	<b>\$79,205,991</b>
<b>Total OTO</b>	<b>\$0</b>	<b>\$0</b>	<b>\$0</b>	<b>\$0</b>	<b>\$0</b>

*Agency Description*

The Department of Commerce non-budgeted proprietary funds includes authority in the Board of Housing, Board of Investments, Facility Finance Authority, and Director’s Office. These funds will be discussed in detail at the program level.

*FY 2024 Appropriation Compared to FY 2024 Actual Expenditures*

In FY 2024, the Department of Commerce expended 93.7% of its \$80.4 million nonbudgeted proprietary budget. The majority of these expenditures are in the Housing Division for benefits and claims for various housing programs. 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 \$961,000, or 1.2%, less than in FY 2024. This decrease is primarily due to lower benefits and claims as well as operating expenditures in the Housing MT Division due to greater than anticipated rental assistance payments and administrative costs in FY 2024.

**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	3.00	3.00	3.00	0.00		0.0%
Proprietary Funds	985,339	948,522	898,414	(123,742)		(6.3%)
<b>Total Funds</b>	<b>985,339</b>	<b>948,522</b>	<b>898,414</b>	<b>(123,742)</b>		<b>(6.3%)</b>
Personal Services	495,094	386,388	388,092	(215,708)		(21.8%)
Operating Expenses	276,189	383,078	331,266	161,966		29.3%
Grants	150,000	150,000	150,000			0.0%
Transfers	35,000			(70,000)		(100.0%)
Debt Service	29,056	29,056	29,056			0.0%
<b>Total Expenditures</b>	<b>985,339</b>	<b>948,522</b>	<b>898,414</b>	<b>(123,742)</b>		<b>(6.3%)</b>
<b>Total Ongoing</b>	<b>985,339</b>	<b>948,522</b>	<b>898,414</b>	<b>(123,742)</b>		<b>(6.3%)</b>
<b>Total One-Time-Only</b>						<b>0.0%</b>

**Program Highlights**

<b>Montana Facility Finance Authority Major Budget Highlights</b>
<ul style="list-style-type: none"> <li>• The Montana Facility Finance Authority's 2027 biennium non-budgeted proprietary appropriations are approximately \$124,000 or 6.3% less than the FY 2025 base budget. Significant changes include:                             <ul style="list-style-type: none"> <li>◦ A decrease in personal services appropriations is due to statewide present law adjustments</li> <li>◦ This decrease is partially offset by statewide present law adjustments for fixed cost and administrative cost adjustments</li> </ul> </li> </ul>

**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 Facility Finance Authority 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
<b>Base Budget</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>985,339</b>	<b>103.9%</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>985,339</b>	<b>109.7%</b>
Statewide PL										
Personal Services	0	0	0	(111,206)	(11.7%)	0	0	0	(109,502)	(12.2%)
Fixed Costs	0	0	0	55,505	5.9%	0	0	0	1,826	0.2%
Inflation Deflation	0	0	0	(33)	(0.0%)	0	0	0	(22)	(0.0%)
<b>Total Statewide PL</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>(55,734)</b>	<b>(5.9%)</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>(107,698)</b>	<b>(12.0%)</b>
Present Law (PL)	0	0	0	18,917	2.0%	0	0	0	20,773	2.3%
New Proposals	0	0	0	0	0.0%	0	0	0	0	0.0%
<b>Total HB 2 Adjustments</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>(36,817)</b>	<b>(3.9%)</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>(86,925)</b>	<b>(9.7%)</b>
<b>Total Requested Budget</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>948,522</b>		<b>0</b>	<b>0</b>	<b>0</b>	<b>898,414</b>	

**Funding**

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

Department of Commerce, 71-Montana Facility Finance Authority Funding by Source of Authority							
Funds	HB2 Ongoing	HB2 OTO	Non-Budgeted Proprietary	Statutory Appropriation	Total All Sources	% Total All Funds	
General Fund	0	0	0	0	0	0.0%	
<b>State Special Total</b>	<b>\$0</b>	<b>\$0</b>	<b>\$0</b>	<b>\$0</b>	<b>\$0</b>	<b>0.0%</b>	
<b>Federal Special Total</b>	<b>\$0</b>	<b>\$0</b>	<b>\$0</b>	<b>\$0</b>	<b>\$0</b>	<b>0.0%</b>	
06015 Facilities Finance Authority	0	0	1,718,348	0	1,718,348	93.0%	
06017 C-PACE Commercial Property Ass	0	0	128,588	0	128,588	7.0%	
<b>Proprietary Total</b>	<b>\$0</b>	<b>\$0</b>	<b>\$1,846,936</b>	<b>\$0</b>	<b>\$1,846,936</b>	<b>100.0%</b>	
<b>Total All Funds</b>	<b>\$0</b>	<b>\$0</b>	<b>\$1,846,936</b>	<b>\$0</b>	<b>\$1,846,936</b>		

*Non-Budgeted Proprietary Appropriations*

The Montana Facility Finance Authority is entirely supported through non-budgeted proprietary funds. These funds are discussed in more detail in the program discussion.

**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	3.00	3.00	3.00	3.00
Personal Services	489,055	550,158	495,094	386,388	388,092
Operating Expenses	223,481	270,162	276,189	383,078	331,266
Grants	50,000	100,000	150,000	150,000	150,000
Transfers	0	35,000	35,000	0	0
Debt Service	25,588	29,056	29,056	29,056	29,056
<b>Total Expenditures</b>	<b>\$788,124</b>	<b>\$984,376</b>	<b>\$985,339</b>	<b>\$948,522</b>	<b>\$898,414</b>
Proprietary Funds	788,124	984,376	985,339	948,522	898,414
<b>Total Funds</b>	<b>\$788,124</b>	<b>\$984,376</b>	<b>\$985,339</b>	<b>\$948,522</b>	<b>\$898,414</b>
<b>Total Ongoing</b>	<b>\$788,124</b>	<b>\$984,376</b>	<b>\$985,339</b>	<b>\$948,522</b>	<b>\$898,414</b>
<b>Total OTO</b>	<b>\$0</b>	<b>\$0</b>	<b>\$0</b>	<b>\$0</b>	<b>\$0</b>

*Program Description*

The Facility Finance Authority (FFA) supports healthcare and community development in Montana by providing access to cost-effective capital financing and development services. Created by the 1983 Legislature, the FFA offers low-cost, tax-exempt debt financing for healthcare facilities, community pre-release centers, and for-profit manufacturing projects to help manage costs and reduce fees.

In 2021, the FFA was designated as the statewide administrator of the Commercial Property Assessed Capital Enhancement (C-PACE) Program, which facilitates private financing for energy efficiency, water conservation, and renewable energy projects. The FFA operates entirely on proprietary funds generated from interest, fees, and charges, with no direct appropriations from HB 2. Its responsibilities are outlined in Title 90, Chapter 7, and Title 2, Chapter 15, MCA.

Department of Commerce Facility Finance Authority Reserve Requirements as of the Beginning of FY 2025		
	Required	Funded
Capital Reserve Account A (a)	\$ 10,913,340	\$ 778,397
Capital Reserve Account B (b)	4,905,556	6,002,274
Direct Loan Program (c)	1,029,153	1,033,903
<u>Working Capital Fund (d)</u>	<u>1,669,926</u>	<u>1,669,926</u>
Total	\$ 18,517,975	\$ 9,484,500
Percent Funded		51.2%
Policy Guidelines - Minimum Funding Requirements		
(a) Up to 10.0% of the outstanding BOI enhanced bond balance as of 7/1/2022		109,133,401
(b) \$4,905,556 as of 7/1/2021 plus YTD loan payments, account investment earnings		6,000,000
(c) 10.0% of the Trust Fund Loan Pool Balance as of 7/1/2024		10,291,527
(d) Twice the current fiscal year operating expense budget		834,963
**Transfer from 06015 to 06012 to match policy occurred on July 9, 2024		

As shown in the figure, the amount of the reserves as of the beginning of FY 2025 is 51.2% of the reserve requirements established by the authority. This is a slight decline from the November 2023 funded ratio of 52.2%.

*FY 2024 Appropriation Compared to FY 2024 Actual Expenditures*

The Facility Finance Authority expended 80.1% of its \$984,000 proprietary authority in FY 2024. Personal services were 88.9% expended while operating expenses were 82.7%, grants 50.0%, transfers 0.0%, and debt services 88.1% expended. Lower expenditures for personal services and operating expenses were primarily due to low expenditures for the C-PACE program, which is in its infancy stages. Lower expenditures for grants were due to the division receiving less demand for planning grants. Lower transfer expenditures were due to the agency no longer paying the Board of Investments for shared services as they no longer occupy the same office building.

*FY 2024 Appropriations Compared to FY 2025 Appropriation*

The Facility Finance Authorities total appropriation authority for FY 2025 is not significantly different than FY 2024.

*Proprietary Program Revenues and Expenses*

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



2027 Biennium Report on Internal Service and Enterprise Funds

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

	Actual FY 24	Estimated FY 25	Proposed FY 26	Proposed FY 27
<b>Operating Revenues</b>				
<b>Fees and Charges</b>				
Charges For Services	669,345	800,000	827,000	835,000
Grants	9,544	-	-	-
<b>Total Operating Revenues</b>	<u>678,889</u>	<u>800,000</u>	<u>827,000</u>	<u>835,000</u>
<b>Expenses</b>				
Personal Services	489,055	495,094	386,388	388,092
Operating Expense	223,581	276,189	383,078	331,266
<b>Total Operating Expense</b>	<u>712,636</u>	<u>771,283</u>	<u>769,466</u>	<u>719,358</u>
<b>Operating Income (Loss)</b>	<u>(33,747)</u>	<u>28,717</u>	<u>57,534</u>	<u>115,642</u>
<b>Nonoperating Revenues</b>				
BOI Investment Earnings	435,985	87,500	285,000	265,000
<b>Nonoperating Expenses</b>				
Grants	(50,000)	(150,000)	(150,000)	(150,000)
<b>Total Nonoperating Revenues (Expenses)</b>	<u>385,985</u>	<u>(62,500)</u>	<u>135,000</u>	<u>115,000</u>
<b>Income (Loss) Before Contributions and Transfers</b>	<u>352,238</u>	<u>(33,783)</u>	<u>192,534</u>	<u>230,642</u>
<b>Capital Contributions</b>				
Transfers In				
Transfers Out		(35,000)		
Loans and Lease Payments	(25,588)	(29,056)	(29,056)	(29,056)
<b>Change in Net Position</b>	<u>326,650</u>	<u>(97,839)</u>	<u>163,478</u>	<u>201,586</u>
<b>Beginning Net Position - July 1</b>	9,845,229	10,171,904	10,074,065	10,237,543
Prior Period Adjustments	25			
Change in Net Position	326,650	(97,839)	163,478	201,586
<b>Ending Net Position - June 30</b>	<u>10,171,904</u>	<u>10,074,065</u>	<u>10,237,543</u>	<u>10,439,129</u>
<b>Net Position (Fund Balance) Analysis</b>				
Restricted Net Position (Enterprise Funds Only)				
Unrestricted Net Position	10,171,904	10,074,065	10,237,543	10,439,129

*Expenses*

Personal services are projected to decrease due to statewide present law adjustments for personal services. Operating expenses are projected to increase in the 2027 biennium due statewide present law adjustments and administrative cost adjustments.

*Revenues*

Revenues are projected to increase in the Facility Finance Authority in the 2027 biennium. These projections were made due to the higher market rates and greater activity in the revolving loan program.

*Proprietary Rates*

The executive does not propose any rate changes in the 2027 biennium. The figure below shows the rates proposed by the executive for the 2027 biennium.

<b>Requested Rates for Internal Service or Enterprise Funds Fee/Rate Information</b>	
<i>Application Fee:</i>	
Conduit Bonds	
Loan Amount	Fee
Up to \$5,000,000	30 basis points (bp) (.0030)
Up to \$10,000,000	the > of 25 bp or \$ 15,000
Up to \$25,000,000	the > of 15 bp or \$ 25,000
Up to \$50,000,000	the > of 12.5 bp or \$ 37,500
Up to \$100,000,000	the > of 7.5 bp or \$ 62,500
Over \$100,000,000	the > of 6.5 bp or \$ 75,000
C-PACE Financings	
1.25% of the par amount of the financing.	
<i>Annual Fee:</i>	
Stand Alone Bond Issues	5 bp X the outstanding principal amount
Private Placement bond issues	5 bp X the outstanding principal amount
Master Loan Program	10 bp X the outstanding principal amount
C-PACE	Lesser of 100 bp X the amount of the annual payment or \$3,000
<i>Monthly fee:</i>	
Trust Fund Loan Program	50 bp X the outstanding principal amount
<i>Authority:</i>	
Fee revenues: 90-7-202 and 90-7-211, MCA; Investment Earnings: 90-7-202, MCA	

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

**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.

The decision packages presented are for informational purposes only, offering insights into anticipated changes in expenditure that may affect the rates charged. These decision packages are not approved by the legislature. For internal service funds, the legislature approves the maximum rate that may be charged. For enterprise funds, the legislature reviews the rate and identifies any concerns.

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	0	(111,206)	0.00	0	0	0	(109,502)
DP 2 - Fixed Costs	0.00	0	0	0	55,505	0.00	0	0	0	1,826
DP 3 - Inflation Deflation	0.00	0	0	0	(33)	0.00	0	0	0	(22)
DP 7105 - FFA ADMINISTRATIVE COSTS ADJUSTMENTS	0.00	0	0	0	18,917	0.00	0	0	0	20,773
<b>Grand Total All Present Law Adjustments</b>	<b>0.00</b>	<b>\$0</b>	<b>\$0</b>	<b>\$0</b>	<b>(\$36,817)</b>	<b>0.00</b>	<b>\$0</b>	<b>\$0</b>	<b>\$0</b>	<b>(\$86,925)</b>

\*"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 proposes adjustments to the present law personal services budget.

DP 2 - Fixed Costs -

The executive proposes 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 proposes 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 7105 - FFA ADMINISTRATIVE COSTS ADJUSTMENTS -

The executive proposes adjustments for additional board member per diem, and increased costs for travel, as well as indirect costs paid to the Director's Office for support services provided to supported divisions, bureaus, and programs. There are reductions for support services previously paid to the Board of Investments that are no longer required.

**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	58.33	58.33	58.33	0.00	0.0%	
Proprietary Funds	66,875,288	67,342,089	67,217,726	809,239	0.6%	
<b>Total Funds</b>	<b>66,875,288</b>	<b>67,342,089</b>	<b>67,217,726</b>	<b>809,239</b>	<b>0.6%</b>	
Personal Services	5,111,734	4,956,241	4,969,810	(297,417)	(2.9%)	
Operating Expenses	6,209,412	6,813,862	6,663,185	1,058,223	8.5%	
Equipment & Intangible Assets	312,000	312,000	312,000		0.0%	
Benefits & Claims	54,789,200	54,789,200	54,789,200		0.0%	
Debt Service	452,942	470,786	483,531	48,433	5.3%	
<b>Total Expenditures</b>	<b>66,875,288</b>	<b>67,342,089</b>	<b>67,217,726</b>	<b>809,239</b>	<b>0.6%</b>	
<b>Total Ongoing</b>	<b>66,875,288</b>	<b>67,342,089</b>	<b>67,217,726</b>	<b>809,239</b>	<b>0.6%</b>	
<b>Total One-Time-Only</b>					<b>0.0%</b>	

**Program Highlights**

<b>Housing MT Division Major Budget Highlights</b>
<ul style="list-style-type: none"> <li>• The Housing MT Division’s 2027 biennium proposed non-budgeted proprietary appropriations are approximately \$809,000 or 0.6% higher than the FY 2025 base budget. Significant changes include:                             <ul style="list-style-type: none"> <li>◦ Increased indirect administrative costs for support services provided by the Director’s Office</li> <li>◦ Increased statewide present law adjustments fixed costs</li> </ul> </li> </ul>

**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 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
<b>Base Budget</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>66,875,288</b>	<b>99.3%</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>66,875,288</b>	<b>99.5%</b>
Statewide PL										
Personal Services	0	0	0	(155,493)	(0.2%)	0	0	0	(141,924)	(0.2%)
Fixed Costs	0	0	0	214,720	0.3%	0	0	0	61,017	0.1%
Inflation Deflation	0	0	0	(907)	(0.0%)	0	0	0	(613)	(0.0%)
<b>Total Statewide PL</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>58,320</b>	<b>0.1%</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>(81,520)</b>	<b>(0.1%)</b>
Present Law (PL)	0	0	0	408,481	0.6%	0	0	0	423,958	0.6%
New Proposals	0	0	0	0	0.0%	0	0	0	0	0.0%
<b>Total Adjustments</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>466,801</b>	<b>0.7%</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>342,438</b>	<b>0.5%</b>
<b>Total Requested Budget</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>67,342,089</b>		<b>0</b>	<b>0</b>	<b>0</b>	<b>67,217,726</b>	

**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%
<b>State Special Total</b>	<b>\$0</b>	<b>\$0</b>	<b>\$0</b>	<b>\$0</b>	<b>\$0</b>	<b>\$0</b>	<b>0.0%</b>
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%
<b>Federal Special Total</b>	<b>\$24,136,985</b>	<b>\$0</b>	<b>\$0</b>	<b>\$0</b>	<b>\$24,136,985</b>	<b>\$24,136,985</b>	<b>15.2%</b>
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%
<b>Proprietary Total</b>	<b>\$0</b>	<b>\$0</b>	<b>\$134,559,815</b>	<b>\$0</b>	<b>\$134,559,815</b>	<b>\$134,559,815</b>	<b>84.8%</b>
<b>Total All Funds</b>	<b>\$24,136,985</b>	<b>\$0</b>	<b>\$134,559,815</b>	<b>\$0</b>	<b>\$158,696,800</b>		

*Non-Budgeted Proprietary*

The majority of the Housing MT Division's funding is from proprietary funds. These funds are discussed in the program discussion.

**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	58.33	58.33	58.33	58.33
Personal Services	4,746,246	4,916,180	5,111,734	4,956,241	4,969,810
Operating Expenses	5,279,083	6,391,360	6,209,412	6,813,862	6,663,185
Equipment & Intangible Assets	0	0	312,000	312,000	312,000
Benefits & Claims	52,605,429	55,670,725	54,789,200	54,789,200	54,789,200
Debt Service	240,980	452,942	452,942	470,786	483,531
<b>Total Expenditures</b>	<b>\$62,871,738</b>	<b>\$67,431,207</b>	<b>\$66,875,288</b>	<b>\$67,342,089</b>	<b>\$67,217,726</b>
Proprietary Funds	62,871,738	67,431,207	66,875,288	67,342,089	67,217,726
<b>Total Funds</b>	<b>\$62,871,738</b>	<b>\$67,431,207</b>	<b>\$66,875,288</b>	<b>\$67,342,089</b>	<b>\$67,217,726</b>
<b>Total Ongoing</b>	<b>\$62,871,738</b>	<b>\$67,431,207</b>	<b>\$66,875,288</b>	<b>\$67,342,089</b>	<b>\$67,217,726</b>
<b>Total OTO</b>	<b>\$0</b>	<b>\$0</b>	<b>\$0</b>	<b>\$0</b>	<b>\$0</b>

*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. There are three main proprietary programs within the Housing MT Division:

- **Montana Board of Housing:** Governed by a seven-member board appointed by the Governor, the board manages programs aimed at promoting affordable housing, including the Homeownership Program, Multifamily Loan Program, Low Income Housing Tax Credit Program, Housing Montana Fund, and the Reverse Annuity Mortgage Program
- **Project-Based Section 8 Program:** Administered by the U.S. Department of Housing and Urban Development (HUD), this program provides rental assistance to fixed-location properties for low-income tenants. Responsibilities include overseeing property management, making rent subsidy payments, performing property reviews, and ensuring compliance with fair housing laws. The program earns performance-based fees and renews rent contracts as they expire
- **Tenant-Based Section 8 Program and Housing Choice Vouchers:** This program helps very low-income families, elderly, and disabled individuals secure safe, sanitary housing through HUD's Housing Choice Vouchers and Moderate Rehabilitation Programs. Operated statewide via contracted field agencies, tenants pay 30.0% of their income toward rent and utilities, with subsidies covering the rest. Leases are established on the open market between tenants and private landlords

*FY 2024 Appropriation Compared to FY 2024 Actual Expenditures*

The Housing MT Division expended 93.2% of its \$67.4 million non-budgeted proprietary authority in FY 2024. The Housing MT Division primarily funds multi-year projects through benefits and claims. Therefore, it is not uncommon to have lower expenditures.

*FY 2024 Appropriations Compared to FY 2025 Appropriation*

The Housing MT Division's total appropriation authority for FY 2025 is \$556,000 or 0.8% less than FY 2024. This decrease is due to lower benefits and claims and operating expense authority. In FY 2024, the Section 8 Housing programs had higher than anticipated rental assistance payments and administrative costs. Therefore, the division requested additional authority, primarily in benefits and claims and operating expense authority, to meet the needs of this program.

Montana Board of Housing – Funds 06030, 06031, 06032, 06078, 06079

Proprietary Program Revenues and Expenses

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

2027 Biennium Report on Internal Service and Enterprise Funds				
Fund	Fund Name	Agency #	Agency Name	Program Name
06030	BOH Financial Program	65010	Dept. of Commerce	Housing Division - Board of Housing
06031	Housing Trust Fund			
06032	BOH Loan Servicing			
06078	Affordable Housing Revolving			
06079	Revolving Loan - TANF			

  

	Actual FY 24	Estimated FY 25	Proposed FY 26	Proposed FY 27
<b>Operating Revenues</b>				
<b>Fees and Charges</b>				
Charges For Services	4,932,435	5,104,928	5,283,601	5,468,527
<b>Total Operating Revenues</b>	4,932,435	5,104,928	5,283,601	5,468,527
<b>Expenses</b>				
Personal Services	2,944,357	3,185,633	2,992,817	3,002,953
Other Operating Expense	7,565,675	2,760,009	3,116,707	3,047,735
<b>Total Operating Expense</b>	10,510,032	5,945,642	6,109,524	6,050,688
<b>Operating Income (Loss)</b>	(5,577,597)	(840,714)	(825,923)	(582,161)
<b>Nonoperating Revenues</b>				
BOI Investment Earnings Class	29,099,433	30,117,913	31,172,040	32,263,062
<b>Nonoperating Expenses</b>				
Grants				
<b>Total Nonoperating Revenues (Expenses)</b>	29,099,433	30,117,913	31,172,040	32,263,062
<b>Income (Loss) Before Contributions and Transfers</b>	23,521,836	29,277,199	30,346,117	31,680,901
<b>Capital Contributions</b>				
Transfers In	350,000	387,070	400,618	414,639
Transfers Out	(350,000)	(387,070)	(400,618)	(414,639)
Loans and Lease Payments	(19,673,223)	(20,846,345)	(21,889,895)	(22,982,029)
<b>Change in Net Position</b>	3,848,613	8,430,854	8,456,222	8,698,872
<b>Beginning Net Position - July 1</b>	165,754,763	169,603,376	178,034,230	186,490,452
Prior Period Adjustments				
Change in Net Position	3,848,613	8,430,854	8,456,222	8,698,872
<b>Ending Net Position - June 30</b>	169,603,376	178,034,230	186,490,452	195,189,324

The executive proposes a decrease in personal services due to statewide present law adjustments. Operating expenses are proposed to increase due to statewide present law adjustments for fixed costs as well as administrative cost increases for indirect support service costs.

#### *Revenues*

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

#### *Proprietary Rates*

The Board of Housing recovers costs from charging application and compliance fees for the Low-Income Tax Credit Program and from charging a spread on loan programs. The figure below shows the rates proposed by the executive for the 2025 biennium. Several fees have been added this biennium including the 42M letter fee, additional credit request, board legal fees, underwriting fees 10.0% test, underwriting fees – average income, compliance fees – average income. These new fee options are specific to the Low-Income Housing Tax Credit. This executive proposal is not an increase in fee charges but an expansion of fee options.



Requested Rates for Internal Service or Enterprise Funds					
Fee/Rate Information					
		Approved FY 24	Approved FY 25	Proposed FY 26	Proposed FY 27
Fee Description:					
Pre 1980 Single Family Programs	% spread between mortgage interest rate and bond yield. No limit on investment earnings	1.50%	1.50%	1.50%	1.50%
Post Single Family Programs	% spread between mortgage interest rate and bond yield. Investment earnings limited to the bond yield	1.125%	1.125%	1.125%	1.125%
Pre 1986 Multifamily Program	% spread between the mortgage interest rate and the bond yield. No limit on investment earnings	1.50%	1.50%	1.50%	1.50%
Post 1986 Multifamily Program	% spread between the mortgage interest rate and the bond yield. Investment earnings limited to the bond yield	1.50%	1.50%	1.50%	1.50%
Multifamily Reservation Fee	up to a % of the loan amount reserved	1.00%	1.00%	1.00%	1.00%
Letter of Intent - Housing Credits	per submission	\$3,000	\$3,000	\$3,000	\$3,000
Application - Housing Credits	% of the tax credit amount requested (4% and 9%)	1.00%	1.00%	1.00%	1.00%
42M letter fee	4% of the tax credit amount requested	4.00%	4.00%	4.00%	4.00%
Additional credit request	sum of application (\$3,000) and 10% reservation fee (9%)	\$3,000 + 10%	\$3,000 + 10%	\$3,000 + 10%	\$3,000 + 10%
Board legal fees	invoiced amount based on actual hours	invoiced amount	invoiced amount	invoiced amount	invoiced amount
Reservation fees-Housing Credits	% of the tax credit amount reserved	10.00%	10.00%	10.00%	10.00%
Underwriting Fees - Housing Credits (8609)	per application	\$3,000	\$3,000	\$3,000	\$3,000
Underwriting Fees - 10% Test	per application	\$1,500	\$1,500	\$1,500	\$1,500
Underwriting Fees - Average Income	applicable only to Average Income LIHTC projects	\$2,000	\$2,000	\$2,000	\$2,000
Compliance fees-Housing Credit Program	per unit	\$45	\$45	\$45	\$45
Compliance fees - Average Income	additional \$20/each non-market unit	\$20	\$20	\$20	\$20
Interest income on reverse annuity mortgage loans	4-5% (new) 5% (old) loans	3-5%	3-5%	3-5%	3-5%
Housing Revolving Loan Fund (HRLA)	variable rates ranging from 2% to 6%	2-6%	2-6%	2-6%	2-6%
Interest on Investments	STIP investment rate	varies	varies	varies	varies

\*-There are various extension, late and cancelation fees for both multifamily and homeownership programs not listed but applied a case by case basis

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

**HUD Section 8 (Project Based Housing) – Fund 06074**

*Proprietary Program Revenues and Expenses*

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

2027 Biennium Report on Internal Service and Enterprise Funds

Fund	Fund Name	Agency #	Agency Name	Program Name
06074	SEC 8 Project Based	65010	Dept. of Commerce	Housing MT - PB Section 8

	Actual FY 24	Estimated FY 25	Proposed FY 26	Proposed FY 27
<b>Operating Revenues</b>				
<b>Fees and Charges</b>				
Fines/Forfeits	61			
Federal	30,011,661	31,512,244	33,087,856	34,742,249
<b>Total Operating Revenues</b>	<b>30,011,722</b>	<b>31,512,244</b>	<b>33,087,856</b>	<b>34,742,249</b>
<b>Expenses</b>				
Personal Services	923,061	960,426	871,307	873,672
Other Operating Expense	410,034	384,499	494,304	453,359
Equipment & Intangible Assets	-	156,000	156,000	156,000
<b>Total Operating Expense</b>	<b>1,333,095</b>	<b>1,500,925</b>	<b>1,521,611</b>	<b>1,483,031</b>
<b>Operating Income (Loss)</b>	<b>28,678,627</b>	<b>30,011,319</b>	<b>31,566,245</b>	<b>33,259,218</b>
<b>Nonoperating Revenues</b>				
BOI Investment Earnings Class	207,653	218,036	228,938	240,385
<b>Nonoperating Expenses</b>				
Benefits & Claims	(28,757,640)	(27,076,686)	(27,076,686)	(27,076,686)
<b>Total Nonoperating Revenues (Expenses)</b>	<b>(28,549,987)</b>	<b>(26,858,650)</b>	<b>(26,847,748)</b>	<b>(26,836,301)</b>
<b>Income (Loss) Before Contributions and Transfers</b>	<b>128,640</b>	<b>3,152,669</b>	<b>4,718,497</b>	<b>6,422,917</b>
<b>Capital Contributions</b>				
Transfers In				
Transfers Out				
Loans and Lease Payments	(13,073)	(61,881)	(65,450)	(67,999)
<b>Change in Net Position</b>	<b>115,567</b>	<b>3,090,788</b>	<b>4,653,047</b>	<b>6,354,918</b>
<b>Beginning Net Position - July 1</b>	<b>4,417,432</b>	<b>4,532,999</b>	<b>7,623,787</b>	<b>12,276,834</b>
Prior Period Adjustments				
Change in Net Position	115,567	3,090,788	4,653,047	6,354,918
<b>Ending Net Position - June 30</b>	<b>4,532,999</b>	<b>7,623,787</b>	<b>12,276,834</b>	<b>18,631,752</b>

Expenses

The executive proposes a decrease in personal services due to statewide present law adjustments. Operating expenses are proposed to increase due to statewide present law adjustments for fixed costs as well as administrative cost increases for indirect support service costs.

*Revenue*

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

*Proprietary Rates*

The Project Based Section 8 Contract Administration is funded through a performance-based contract with HUD, based on a five-year renewable request for proposals. Retained earnings are to be used for operations of this program. Funding for rents is paid by HUD, based on actual contracts negotiated between the department and the individual owners of the projects, set up on the procedure dictated by HUD. The figure below shows the rates proposed by the executive for the 2025 biennium.

<b>Requested Rates for Internal Service or Enterprise Funds</b>				
<b>Fee/Rate Information</b>				
	<b>Approved FY 24</b>	<b>Approved FY 25</b>	<b>Proposed FY 26</b>	<b>Proposed FY 27</b>
Fee Description:				
Administration Contract	2.5%	2.5%	2.5%	2.5%
Base fee rate paid by HUD = 2.5% times the two bedroom Fair Market Rent for all projects under ACC contract for standard performance, as judged by HUD monthly, quarterly, and annually.				
Administration Contract	1.0%	1.0%	1.0%	1.0%
Performance fee incentive rate based on 17 Incentive Based Performance Standards (IBPS), graded monthly, quarterly, and annually by HUD. Can be either positive or negative, based on whether time standards and performance requirements are met on each of the 17 IBPS standards. Rate 3 (per unit).				
Rents Contract	100.0%	100.0%	100.0%	100.0%
Amounts for rentals are based on 100.0% of contracted amounts per unit each month, less tenant share of rents.				

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

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

*Proprietary Program Revenues and Expenses*

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

2027 Biennium Report on Internal Service and Enterprise Funds

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

	Actual FY 24	Estimated FY 25	Proposed FY 26	Proposed FY 27
<b>Operating Revenues</b>				
<b>Fees and Charges</b>				
Charges For Services	114			
Federal	26,262,401	28,701,447	30,014,359	31,392,916
<b>Total Operating Revenues</b>	<b>26,262,515</b>	<b>28,701,447</b>	<b>30,014,359</b>	<b>31,392,916</b>
<b>Expenses</b>				
Personal Services	877,586	963,175	1,085,824	1,086,860
Other Operating Expense	2,640,570	2,914,904	3,049,829	3,009,063
Equipment & Intangible Assets		156,000	156,000	156,000
<b>Total Operating Expense</b>	<b>3,518,156</b>	<b>4,034,079</b>	<b>4,291,653</b>	<b>4,251,923</b>
<b>Operating Income (Loss)</b>	<b>22,744,359</b>	<b>24,667,368</b>	<b>25,722,706</b>	<b>27,140,993</b>
<b>Nonoperating Revenues</b>				
BOI Investment Earnings Class	354,694	363,942	382,135	401,238
<b>Nonoperating Expenses</b>				
Benefits & Claims	(22,916,797)	(26,517,514)	(26,457,764)	(26,395,026)
<b>Total Nonoperating Revenues (Expenses)</b>	<b>(22,562,103)</b>	<b>(26,153,572)</b>	<b>(26,075,629)</b>	<b>(25,993,788)</b>
<b>Income (Loss) Before Contributions and Transfers</b>	<b>182,256</b>	<b>(1,486,204)</b>	<b>(352,923)</b>	<b>1,147,205</b>
<b>Capital Contributions</b>				
Transfers In				
Transfers Out				
Loans and Lease Payments	(13,073)	(201,600)	(205,169)	(207,718)
<b>Change in Net Position</b>	<b>169,183</b>	<b>(1,687,804)</b>	<b>(558,092)</b>	<b>939,487</b>
<b>Beginning Net Position - July 1</b>	<b>6,606,139</b>	<b>6,775,322</b>	<b>5,087,518</b>	<b>4,529,426</b>
Prior Period Adjustments				
Change in Net Position	169,183	(1,687,804)	(558,092)	939,487
<b>Ending Net Position - June 30</b>	<b>6,775,322</b>	<b>5,087,518</b>	<b>4,529,426</b>	<b>5,468,913</b>

*Expenses*

The executive proposes an increase in personal services and operating costs due to statewide present law adjustments and administrative cost adjustments for indirect support service costs paid to the Director's Office.

*Revenue*

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

*Proprietary Rates*

Fund revenues are derived from competitively awarded, performance-based annual contribution contracts with HUD. The program is completely self-supporting. The department is the only statewide housing authority in Montana and specifically budgeted for in HUD's ongoing appropriation for Tenant Based Section 8. The figure below shows the rates proposed by the executive for the 2025 biennium.

<b>Requested Rates for Internal Service or Enterprise Funds Fee/Rate Information</b>				
	<b>Approved FY 24</b>	<b>Approved FY 25</b>	<b>Proposed FY 26</b>	<b>Proposed FY 27</b>
<b>Fee Description:</b>				
Administration Contract	\$91.90	\$95.12	\$98.45	\$101.90
Base fee rate paid by HUD = \$91.90 (before proration) per unit per month under lease, which is HUD's column B rate for units beyond the first 600 Housing Choice Vouchers (or 7,200 unit months per year) for the majority of leases. Mod Rehab earned fee rate is \$98.46 per lease per month (HUD's column A rate, no proration). Estimate increases of 3.5% per year for FY 2023, FY 2024 and FY 2025.				
Rents Contract	100.00%	100.00%	100.00%	100.00%
Amounts for rentals are based on 100% of contracted amounts per unit each month, less tenant share of rents.				

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

**HUD Emergency Housing Vouchers and Mainstream Housing Choice Vouchers – Fund 06028 (Emergency Housing Vouchers – Administration), 06029 (Emergency Housing Vouchers – Housing Assistance Payments), 06044 (Mainstream Housing Choice Voucher Program – Administration), 06045 (Mainstream Housing Choice Voucher Program – Housing Assistance Payments)**

*Proprietary Program Revenues and Expenses*

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

2027 Biennium Report on Internal Service and Enterprise Funds

Fund	Fund Name	Agency #	Agency Name	Program Name
06028	Emergency Housing Vouchers-Adm	65010	Dept. of Commerce	Housing MT - TB Section 8
06029	Emergency Housing Vouchers-HAP			
06044	Mainstream HCVP-Admin			
06045	Mainstream HCVP-HAP			

	Actuals FY 24	Estimated FY 25	Proposed FY 26	Proposed FY 27
<b>Operating Revenues</b>				
<b>Fees and Charges</b>				
Federal	1,117,534	1,173,411	1,232,081	1,293,686
<b>Total Operating Revenues</b>	1,117,534	1,173,411	1,232,081	1,293,686
<b>Expenses</b>				
Personal Services	2,645	2,500	6,293	6,325
Other Operating Expense	103,829	150,000	153,022	153,028
<b>Total Operating Expense</b>	106,474	152,500	159,315	159,353
<b>Operating Income (Loss)</b>	1,011,060	1,020,911	1,072,766	1,134,333
<b>Nonoperating Revenues</b>				
BOI Investment Earnings Class	26,115	27,422	28,793	30,233
<b>Nonoperating Expenses</b>				
Benefits & Claims	(918,147)	(1,195,000)	(1,254,750)	(1,317,488)
<b>Total Nonoperating Revenues (Expenses)</b>	(892,032)	(1,167,578)	(1,225,957)	(1,287,255)
<b>Income (Loss) Before Contributions and Transfers</b>	119,028	(146,667)	(153,191)	(152,922)
<b>Capital Contributions</b>				
Transfers In	486,885	546,626	573,957	602,655
Transfers Out				
Loans and Lease Payments				
<b>Change in Net Position</b>	605,913	399,959	420,766	449,733
<b>Beginning Net Position - July 1</b>	-	605,913	1,005,872	1,426,638
Prior Period Adjustments				
Change in Net Position	605,913	399,959	420,766	449,733
<b>Ending Net Position - June 30</b>	605,913	1,005,872	1,426,638	1,876,371

*Expenses*

Expenses are projected to increase in the 2027 biennium for personal services and operating expenses due to statewide present law adjustments.

*Revenues*

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

*Proprietary Rates*

Fund revenues are derived from competitively awarded, performance-based annual contribution contracts with HUD. The program is completely self-supporting. The department is the only statewide housing authority in Montana and specifically budgeted for in HUD’s ongoing appropriation for Tenant Based Section 8. The figure below shows the rates proposed by the executive for the 2025 biennium.

<b>Requested Rates for Internal Service or Enterprise Funds Fee/Rate Information</b>				
	<b>Approved FY 24</b>	<b>Approved FY 25</b>	<b>Proposed FY 26</b>	<b>Proposed FY 27</b>
<b>Fee Description:</b>				
Administration Contract	\$91.90	\$95.12	\$98.45	\$101.90
Base fee rate paid by HUD = \$91.90 (before proration) per unit per month under lease, which is HUD's column B rate for units beyond the first 600 Housing Choice Vouchers (or 7,200 unit months per year) for the majority of leases. Mod Rehab earned fee rate is \$98.46 per lease per month (HUD's column A rate, no proration). Estimate increases of 3.5% per year for FY 2023, FY 2024 and FY 2025.				
Rents Contract	100.00%	100.00%	100.00%	100.00%
Amounts for rentals are based on 100% of contracted amounts per unit each month, less tenant share of rents.				

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



**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.

The decision packages presented are for informational purposes only, offering insights into anticipated changes in expenditure that may affect the rates charged. These decision packages are not approved by the legislature. For internal service funds, the legislature approves the maximum rate that may be charged. For enterprise funds, the legislature reviews the rate and identifies any concerns.

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	0	(155,493)	0.00	0	0	0	(141,924)
DP 2 - Fixed Costs	0.00	0	0	0	214,720	0.00	0	0	0	61,017
DP 3 - Inflation Deflation	0.00	0	0	0	(907)	0.00	0	0	0	(613)
DP 7405 - HMT ADMINISTRATIVE COSTS ADJUSTMENTS	0.00	0	0	0	408,481	0.00	0	0	0	423,958
<b>Grand Total All Present Law Adjustments</b>	<b>0.00</b>	<b>\$0</b>	<b>\$0</b>	<b>\$0</b>	<b>\$466,801</b>	<b>0.00</b>	<b>\$0</b>	<b>\$0</b>	<b>\$0</b>	<b>\$342,438</b>

\*"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 proposes adjustments to the present law personal services budget.

DP 2 - Fixed Costs -

The executive proposes 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 proposes 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 proposes 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.

**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	33.00	33.00	33.00	0.00	0.0%	
Proprietary Funds	8,628,255	8,304,731	8,176,373	(775,406)	(4.5%)	
<b>Total Funds</b>	<b>8,628,255</b>	<b>8,304,731</b>	<b>8,176,373</b>	<b>(775,406)</b>	<b>(4.5%)</b>	
Personal Services	5,166,689	5,295,753	5,300,465	262,840	2.5%	
Operating Expenses	3,461,010	3,008,422	2,875,352	(1,038,246)	(15.0%)	
Debt Service	556	556	556		0.0%	
<b>Total Expenditures</b>	<b>8,628,255</b>	<b>8,304,731</b>	<b>8,176,373</b>	<b>(775,406)</b>	<b>(4.5%)</b>	
<b>Total Ongoing</b>	<b>8,628,255</b>	<b>8,304,731</b>	<b>8,176,373</b>	<b>(775,406)</b>	<b>(4.5%)</b>	
<b>Total One-Time-Only</b>					<b>0.0%</b>	

**Program Highlights**

<b>Board of Investments Major Budget Highlights</b>
<ul style="list-style-type: none"> <li>• The Board of Investment's 2027 biennium proposed non-budgeted proprietary appropriations are approximately \$775,000 or 4.5% less than the FY 2025 base budget. Significant changes include:                             <ul style="list-style-type: none"> <li>◦ A decreased statewide present law adjustment for personal services</li> <li>◦ This decrease is partially offset by a statewide present law adjustment for fixed cost and an administrative cost adjustment</li> </ul> </li> </ul>

**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 Investments 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
<b>Base Budget</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>8,628,255</b>	<b>103.9%</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>8,628,255</b>	<b>105.5%</b>
Statewide PL										
Personal Services	0	0	0	129,064	1.6%	0	0	0	133,776	1.6%
Fixed Costs	0	0	0	210,953	2.5%	0	0	0	77,849	1.0%
Inflation Deflation	0	0	0	(103)	(0.0%)	0	0	0	(69)	(0.0%)
<b>Total Statewide PL</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>339,914</b>	<b>4.1%</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>211,556</b>	<b>2.6%</b>
Present Law (PL)	0	0	0	(663,438)	(8.0%)	0	0	0	(663,438)	(8.1%)
New Proposals	0	0	0	0	0.0%	0	0	0	0	0.0%
<b>Total HB 2 Adjustments</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>(323,524)</b>	<b>(3.9%)</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>(451,882)</b>	<b>(5.5%)</b>
<b>Total Requested Budget</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>8,304,731</b>		<b>0</b>	<b>0</b>	<b>0</b>	<b>8,176,373</b>	

**Funding**

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

Department of Commerce, 75-Board of Investments Funding by Source of Authority						
Funds	HB2 Ongoing	HB2 OTO	Non-Budgeted Proprietary	Statutory Appropriation	Total All Sources	% Total All Funds
General Fund	0	0	0	0	0	0.0%
<b>State Special Total</b>	<b>\$0</b>	<b>\$0</b>	<b>\$0</b>	<b>\$0</b>	<b>\$0</b>	<b>0.0%</b>
<b>Federal Special Total</b>	<b>\$0</b>	<b>\$0</b>	<b>\$0</b>	<b>\$0</b>	<b>\$0</b>	<b>0.0%</b>
06014 BOI Municipal Finance Programs	0	0	1,085,546	10,600,000	11,685,546	43.2%
06527 Investment Division	0	0	15,395,558	0	15,395,558	56.8%
<b>Proprietary Total</b>	<b>\$0</b>	<b>\$0</b>	<b>\$16,481,104</b>	<b>\$10,600,000</b>	<b>\$27,081,104</b>	<b>100.0%</b>
<b>Total All Funds</b>	<b>\$0</b>	<b>\$0</b>	<b>\$16,481,104</b>	<b>\$10,600,000</b>	<b>\$27,081,104</b>	

*Statutory Authority*

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

*Non-Budgeted Proprietary Fund*

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

**Program 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	33.00	33.00	33.00	33.00
Personal Services	5,203,495	5,241,267	5,166,689	5,295,753	5,300,465
Operating Expenses	3,213,297	3,480,143	3,461,010	3,008,422	2,875,352
Debt Service	0	556	556	556	556
<b>Total Expenditures</b>	<b>\$8,416,792</b>	<b>\$8,721,966</b>	<b>\$8,628,255</b>	<b>\$8,304,731</b>	<b>\$8,176,373</b>
Proprietary Funds	8,416,792	8,721,966	8,628,255	8,304,731	8,176,373
<b>Total Funds</b>	<b>\$8,416,792</b>	<b>\$8,721,966</b>	<b>\$8,628,255</b>	<b>\$8,304,731</b>	<b>\$8,176,373</b>
<b>Total Ongoing</b>	<b>\$8,416,792</b>	<b>\$8,721,966</b>	<b>\$8,628,255</b>	<b>\$8,304,731</b>	<b>\$8,176,373</b>
<b>Total OTO</b>	<b>\$0</b>	<b>\$0</b>	<b>\$0</b>	<b>\$0</b>	<b>\$0</b>

*Program Description*

The Montana Board of Investments, established under Article VIII, Section 13 of the Montana Constitution, manages the Unified Investment Program, which includes approximately \$28.4 billion in state and local government funds. Investments are managed through pools and separate accounts, with un-pooled funds categorized as "All Other Funds–Direct Holdings."

Investment Pools:

- Consolidated Asset Pension Pool – Retirement system funds
- Trust Funds Investment Pool – State trust funds
- Short Term Investment Pool – Local and state agencies
- All Other Funds–Direct Holdings – Non-pool investments

The Board also supports economic development through tailored loan programs, including commercial loans, low-interest home loans for Montana veterans, and housing development loans for low- and moderate-income applicants. Additionally, the Board issues bonds for state and local government projects.

Funded by proprietary revenues without direct appropriations, the Board’s responsibilities are defined by the Montana Constitution and state law (MCA Titles 2 and 17).

*FY 2024 Appropriation Compared to FY 2024 Actual Expenditures*

The Board of Investments expended 96.5% of its \$8.4 million proprietary authority in FY 2024. Personal services were 99.3% expended while operating expenses were 92.3% expended. This expenditure is in line with historical expenditures for the division.

*FY 2024 Appropriations Compared to FY 2025 Appropriation*

The Board of Investments total appropriation authority for FY 2025 is approximately \$94,000 or 1.1% less than FY 2024. In FY 2024, the Board of Investments received additional authority to make dividend payments.

**Industrial Revenue Bond 1-95 – 06014**

*Proprietary Program Revenues and Expenses*

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

2027 Biennium Report on Internal Service and Enterprise Funds

Fund	Fund Name	Agency #	Agency Name	Program Name
06014	BOI Municipal Finance Programs	65010	Dept. of Commerce	Board of Investments

	Actual FY 24	Estimated FY 25	Proposed FY 26	Proposed FY 27
<b>Operating Revenues</b>				
<b>Fees and Charges</b>				
Charges For Service	-	-	-	-
<b>Total Operating Revenues</b>	-	-	-	-
<b>Expenses</b>				
Personal Services	474,011	469,317	400,155	401,006
Other Operating Expense	145,978	205,583	145,513	138,872
<b>Total Operating Expense</b>	619,989	674,900	545,668	539,878
<b>Operating Income (Loss)</b>	<u>(619,989)</u>	<u>(674,900)</u>	<u>(545,668)</u>	<u>(539,878)</u>
Nonoperating Revenues				
BOI Investment Earnings Class	4,347,027	1,211,901	5,914,586	5,914,586
Nonoperating Expenses				
<b>Total Nonoperating Revenues (Expenses)</b>	<u>4,347,027</u>	<u>1,211,901</u>	<u>5,914,586</u>	<u>5,914,586</u>
<b>Income (Loss) Before Contributions and Transfers</b>	<u>3,727,038</u>	<u>537,001</u>	<u>5,368,918</u>	<u>5,374,708</u>
Capital Contributions				
Transfers In				
Transfers Out				
Loans and Lease Payments	<u>(3,571,186)</u>	<u>(5,185,244)</u>	<u>(5,300,000)</u>	<u>(5,300,000)</u>
<b>Change in Net Position</b>	<u>155,852</u>	<u>(4,648,243)</u>	<u>68,918</u>	<u>74,708</u>
<b>Beginning Net Position - July 1</b>	5,765,478	5,921,330	1,273,087	1,342,005
Prior Period Adjustments				
Change in Net Position	<u>155,852</u>	<u>(4,648,243)</u>	<u>68,918</u>	<u>74,708</u>
<b>Ending Net Position - June 30</b>	<u>5,921,330</u>	<u>1,273,087</u>	<u>1,342,005</u>	<u>1,416,713</u>

Expenses

The executive is proposing a decrease in personal services due to employee turnover and hiring new employees at lower wages. Decreases in operating expenses are primarily due to a decrease in indirect administrative costs and statewide present law adjustments for fixed costs and inflation.

Revenues

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

*Proprietary Rates*

The Board of Investments recovers its costs from the entities that use its services. Typically, this has been done by requesting a maximum level of expenditures and setting a fee at that level. The executive proposes an increased rate for the 2027 biennium due to increased loan activity and increased interest rates charged to borrowers. Fees proposed for the INTERCAP Program are shown below.

Requested Rates for Internal Service or Enterprise Funds Fee/Rate Information				
	Actual FY 24	Estimated FY 25	Proposed FY 26	Proposed FY 27
Fee Description:				
Fees & Investment Revenues	\$ 1,211,901	\$ 1,211,901	\$ 5,914,586	\$ 5,914,586

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

**Investment Division – 06527**

*Proprietary Program Revenues and Expenses*

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

2027 Biennium Report on Internal Service and Enterprise Funds

Fund	Fund Name	Agency #	Agency Name	Program Name
06527	Investment Division	65010	Dept. of Commerce	Board of Investments

	Actual FY 24	Estimated FY 25	Proposed FY 26	Proposed FY 27
<b>Operating Revenues</b>				
<b>Fees and Charges</b>				
Charges For Services	7,826,576	7,826,543	8,079,321	8,079,321
<b>Total Operating Revenues</b>	<u>7,826,576</u>	<u>7,826,543</u>	<u>8,079,321</u>	<u>8,079,321</u>
<b>Expenses</b>				
Personal Services	4,833,770	4,785,250	4,895,598	4,899,459
Other Operating Expense	2,786,242	3,178,008	2,863,465	2,737,036
<b>Total Operating Expense</b>	<u>7,620,012</u>	<u>7,963,258</u>	<u>7,759,063</u>	<u>7,636,495</u>
<b>Operating Income (Loss)</b>	<u>206,564</u>	<u>(136,715)</u>	<u>320,258</u>	<u>442,826</u>
Nonoperating Revenues				
Nonoperating Expenses				
<b>Total Nonoperating Revenues (Expenses)</b>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
<b>Income (Loss) Before Contributions and Transfers</b>	<u>206,564</u>	<u>(136,715)</u>	<u>320,258</u>	<u>442,826</u>
Capital Contributions				
Transfers In	3,500			
Transfers Out				
Loans and Lease Payments	(298,997)	-	-	-
<b>Change in Net Position</b>	<u>(88,933)</u>	<u>(136,715)</u>	<u>320,258</u>	<u>442,826</u>
<b>Beginning Net Position - July 1</b>	90,817	1,884	(134,831)	185,427
Prior Period Adjustments				
Change in Net Position	(88,933)	(136,715)	320,258	442,826
<b>Ending Net Position - June 30</b>	<u>1,884</u>	<u>(134,831)</u>	<u>185,427</u>	<u>628,253</u>

*Expenses*

The executive is proposing an increase in statewide present law adjustments for personal services. Decreases in operating expenses are due to a reduction in indirect costs for support services.

*Revenues*

Nearly all Investment Program revenues are generated from charges to each account that the board invests. The revenue objective of the Investment Program is to fairly assess the costs of operations while maintaining a 60-day working capital reserve.

Proprietary Rates

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

Requested Rates for Internal Service or Enterprise Funds Fee/Rate Information				
	Approved FY 24	Approved FY 25	Proposed FY 26	Proposed FY 27
BOI Administrative Fee				
Rate	\$ 7,826,543	\$ 7,826,543	\$ 8,079,321	\$ 8,079,321

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

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.

The decision packages presented are for informational purposes only, offering insights into anticipated changes in expenditure that may affect the rates charged. These decision packages are not approved by the legislature. For internal service funds, the legislature approves the maximum rate that may be charged. For enterprise funds, the legislature reviews the rate and identifies any concerns.

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	0	129,064	0.00	0	0	0	133,776
DP 2 - Fixed Costs	0.00	0	0	0	210,953	0.00	0	0	0	77,849
DP 3 - Inflation Deflation	0.00	0	0	0	(103)	0.00	0	0	0	(69)
DP 7505 - BOI ADMINISTRATIVE COSTS ADJUSTMENTS	0.00	0	0	0	(663,438)	0.00	0	0	0	(663,438)
<b>Grand Total All Present Law Adjustments</b>	<b>0.00</b>	<b>\$0</b>	<b>\$0</b>	<b>\$0</b>	<b>(\$323,524)</b>	<b>0.00</b>	<b>\$0</b>	<b>\$0</b>	<b>\$0</b>	<b>(\$451,882)</b>

\*"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 proposes adjustments to the present law personal services budget.

DP 2 - Fixed Costs -

The executive proposes 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 proposes 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 7505 - BOI ADMINISTRATIVE COSTS ADJUSTMENTS -

The executive proposes an adjustment to ongoing appropriations for a decrease in the 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	21.00	21.00	21.00	0.00	0.0%	
Proprietary Funds	2,986,278	2,893,625	2,913,478	(165,453)	(2.8%)	
<b>Total Funds</b>	<b>2,986,278</b>	<b>2,893,625</b>	<b>2,913,478</b>	<b>(165,453)</b>	<b>(2.8%)</b>	
Personal Services	2,546,381	2,321,494	2,331,467	(439,801)	(8.6%)	
Operating Expenses	300,169	424,388	428,544	252,594	42.1%	
Debt Service	139,728	147,743	153,467	21,754	7.8%	
<b>Total Expenditures</b>	<b>2,986,278</b>	<b>2,893,625</b>	<b>2,913,478</b>	<b>(165,453)</b>	<b>(2.8%)</b>	
<b>Total Ongoing</b>	<b>2,986,278</b>	<b>2,893,625</b>	<b>2,913,478</b>	<b>(165,453)</b>	<b>(2.8%)</b>	
<b>Total One-Time-Only</b>					<b>0.0%</b>	

**Program Highlights**

<b>Director's Office Major Budget Highlights</b>
<ul style="list-style-type: none"> <li>• The Director's Offices 2027 biennium proposed non-budgeted proprietary appropriations are approximately \$165,000 or 2.8% less than the FY 2025 base budget. Significant changes include:                             <ul style="list-style-type: none"> <li>◦ A decreased statewide present law adjustment for personal services</li> <li>◦ This decrease is partially offset by a statewide present law adjustment for fixed cost and an administrative cost adjustment</li> </ul> </li> </ul>

**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 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
	<b>Base Budget</b>	0	0	0	2,986,278	103.2%	0	0	0	2,986,278
Statewide PL										
Personal Services	0	0	0	(224,887)	(7.8%)	0	0	0	(214,914)	(7.4%)
Fixed Costs	0	0	0	124,224	4.3%	0	0	0	128,379	4.4%
Inflation Deflation	0	0	0	(5)	(0.0%)	0	0	0	(4)	(0.0%)
Total Statewide PL	0	0	0	(100,668)	(3.5%)	0	0	0	(86,539)	(3.0%)
Present Law (PL)	0	0	0	8,015	0.3%	0	0	0	13,739	0.5%
New Proposals	0	0	0	0	0.0%	0	0	0	0	0.0%
<b>Total Adjustments</b>	0	0	0	(92,653)	(3.2%)	0	0	0	(72,800)	(2.5%)
<b>Total Requested Budget</b>	0	0	0	2,893,625		0	0	0	2,913,478	

**Funding**

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

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

*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 Proprietary Rates section of this 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	21.00	21.00	21.00	21.00
Personal Services	2,425,207	2,453,104	2,546,381	2,321,494	2,331,467
Operating Expenses	761,407	702,532	300,169	424,388	428,544
Debt Service	108,241	142,728	139,728	147,743	153,467
<b>Total Expenditures</b>	<b>\$3,294,855</b>	<b>\$3,298,364</b>	<b>\$2,986,278</b>	<b>\$2,893,625</b>	<b>\$2,913,478</b>
Proprietary Funds	3,294,855	3,298,364	2,986,278	2,893,625	2,913,478
<b>Total Funds</b>	<b>\$3,294,855</b>	<b>\$3,298,364</b>	<b>\$2,986,278</b>	<b>\$2,893,625</b>	<b>\$2,913,478</b>
<b>Total Ongoing</b>	<b>\$3,294,855</b>	<b>\$3,298,364</b>	<b>\$2,986,278</b>	<b>\$2,893,625</b>	<b>\$2,913,478</b>
<b>Total OTO</b>	<b>\$0</b>	<b>\$0</b>	<b>\$0</b>	<b>\$0</b>	<b>\$0</b>

*Program Description*

The Director’s Office oversees the Department of Commerce, providing leadership, administrative support, and policy guidance to its staff, programs, and attached boards. It coordinates services in accounting, legal affairs, human resources, information technology, and public information, while serving as a liaison with businesses, governments, communities, and other stakeholders to support economic development and public engagement.

*FY 2024 Appropriation Compared to FY 2024 Actual Expenditures*

In FY 2024, the Director’s Office expended 99.9% of its approximately \$3.3 million non-budgeted proprietary authority.

*FY 2024 Appropriations Compared to FY 2025 Appropriation*

The Director’s Office non-budgeted proprietary appropriation authority for FY 2025 is approximately \$312,000, or 9.5%, less than in FY 2024. The decrease is primarily in operating expense authority. A budget modification was made in the 2025 interim due to greater than anticipated operating expenditures. This budget modification increased operating expense authority only in FY 2024.



*Expenses*

Overall, the executive is proposing slight decreases in personal services due to statewide present law adjustments. Operating expenses and debt services are proposed to increase due to statewide present law adjustments and administrative cost adjustments.

*Revenues*

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

*Proprietary Rates*

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

The Director’s Office calculates a federal indirect cost rate on an annual basis. This rate is a fixed rate for federally funded programs, which is applied against actual federally funded personal services expenditures within the department. The federally calculated rate requires that a carry-forward amount be built into the rate. This carry-forward amount represents the amount the Director’s Office under-recovered or over-recovered in a given fiscal year. This computation compares what was originally calculated to what actually occurred. The difference is then carried forward into the following year’s rate.

<b>Requested Rates for Internal Service or Enterprise Funds Fee/Rate Information</b>				
	<b>Approved FY 24</b>	<b>Approved FY 25</b>	<b>Proposed FY 26</b>	<b>Proposed FY 27</b>
Fee Description:	13.47%	13.47%	19.89%	19.89%

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

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

**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.

The decision packages presented are for informational purposes only, offering insights into anticipated changes in expenditure that may affect the rates charged. These decision packages are not approved by the legislature. For internal service funds, the legislature approves the maximum rate that may be charged. For enterprise funds, the legislature reviews the rate and identifies any concerns.

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	0	(224,887)	0.00	0	0	0	(214,914)
DP 2 - Fixed Costs	0.00	0	0	0	124,224	0.00	0	0	0	128,379
DP 3 - Inflation Deflation	0.00	0	0	0	(5)	0.00	0	0	0	(4)
DP 8105 - DO ADMINISTRATIVE COSTS ADJUSTMENTS	0.00	0	0	0	8,015	0.00	0	0	0	13,739
<b>Grand Total All Present Law Adjustments</b>	<b>0.00</b>	<b>\$0</b>	<b>\$0</b>	<b>\$0</b>	<b>(\$92,653)</b>	<b>0.00</b>	<b>\$0</b>	<b>\$0</b>	<b>\$0</b>	<b>(\$72,800)</b>

\*"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 proposes adjustments to the present law personal services budget.

DP 2 - Fixed Costs -

The executive proposes 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 proposes 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 proposes 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.