

**Program Budget Comparison**

The following table summarizes the total executive budget for the program by year, type of funding.

This table includes the same data as prior sessions. Some of the nomenclature is changed to be clear, and percentage change added at the bottom.

Program Budget Comparison	Actual Base	Approp.	Budget	Budget	Biennium	Biennium	Biennium	Biennium
Budget Item	Fiscal 2012	Fiscal 2013	Fiscal 2014	Fiscal 2015	Fiscal 12-13	Fiscal 14-15	Change	% Change
FTE	20.84	20.84	23.84	23.84	20.84	23.84	3.00	14.40%
Personal Services	1,174,751	1,438,014	1,711,292	1,711,754	2,612,765	3,423,046	810,281	31.01%
Operating Expenses	2,417,014	4,333,439	4,211,945	4,424,821	6,750,453	8,636,766	1,886,313	27.94%
Equipment & Intangible Assets	0	0	0	0	0	0	0	n/a
Grants	941,092	3,348,507	3,987,739	3,988,041	4,289,599	7,975,780	3,686,181	85.93%
<b>Total Costs</b>	<b>\$4,532,857</b>	<b>\$9,119,960</b>	<b>\$9,910,976</b>	<b>\$10,124,616</b>	<b>\$13,652,817</b>	<b>\$20,035,592</b>	<b>\$6,382,775</b>	<b>46.75%</b>
General Fund	1,844,043	1,861,084	3,755,866	3,755,817	3,705,127	7,511,683	3,806,556	102.74%
State Special	1,064,998	2,204,807	2,197,048	2,196,636	3,269,805	4,393,684	1,123,879	34.37%
Federal Special	1,623,816	5,054,069	3,958,062	4,172,163	6,677,885	8,130,225	1,452,340	21.75%
<b>Total Funds</b>	<b>\$4,532,857</b>	<b>\$9,119,960</b>	<b>\$9,910,976</b>	<b>\$10,124,616</b>	<b>\$13,652,817</b>	<b>\$20,035,592</b>	<b>\$6,382,775</b>	<b>46.75%</b>

Percentage change from prior FY      % over FY12      % over FY13      % over FY14

**Program Description**

The Business Resources Division is comprised of a variety of programs aimed at improving, enhancing, and diversifying Montana's economic and business climate. Working closely with the private sector, the Governor's Office, the Legislature, economic and community development partners, other department divisions, state agencies, and federal and private programs, the division strives to enhance the economic base of Montana through business creation, expansion, and retention efforts.

**Program Highlights**

<b>Business Resources Division</b>
<b>Major Budget Highlights</b>
<ul style="list-style-type: none"> <li>◆ General fund increases mainly due to continued funding of programs that have been funded as one-time-only in previous biennia including:                             <ul style="list-style-type: none"> <li>● Indian county economic development</li> <li>● Primary business sector training</li> </ul> </li> </ul>
<b>Major LFD Issues</b>
<ul style="list-style-type: none"> <li>◆ Ongoing programs continue to be designated as one-time-only</li> <li>◆ Statutory appropriations for research and development are appropriated twice</li> </ul>

Major Budget Highlights is basically the same as before, addressing major budget highlights and issues.

**Program Discussion**

Personal services increases are due to a broadband pay adjustment and restoring vacancies for an overall vacancy savings rate of 23.3% compared to a budgeted 4% reduction. Administrative expenses such as loans for community development and federal grants.

General fund for the program increases significantly

- Economic development funding for tribal

Within the "Program Discussion" section of the Budget Analysis you will see two new sub-headings: 1) "Comparison of FY 2015 Legislative Base to FY 2015 Adjusted Base", describing adjustments such as reorganizations, program transfers, and other post-legislature adjustments; and 2) "Comparison of FY2014 Actual Expenditures to FY 2015 Legislative Appropriation", wherein the analyst will provide details of any significant differences between budgeted levels and actual expenditures in the current biennium.

- One-time-only funding for primary business sector grants for new and existing Montana businesses to train new employees

**LFD  
ISSUE**
Ongoing Programs Continue to Be Designated As One-Time-Only

The 2005 Legislature approved funding for three programs as one-time-only for the 2007 biennium:

- Indian County Economic Development Program
- Main Street Program
- Worker Training Program, which evolved into the Primary Business Sector Training Program

Subsequent legislatures have funded the programs, primarily using general fund, as one-time-only since that time. The programs have been in operation for over nine years, but have been funded as though the program activities would not be continued in the next biennium.

The executive is once again requesting general fund to support these programs in the 2015 biennium, and is requesting that two of the programs – Primary Business Sector Training Program and the Main Street Program – be funded as one-time-only. Given that the programs have been in continuous operation since FY 2006, the legislature may wish to consider if the designation of one-time-only is appropriate for the funding.

As part of the information submitted in the budget, the executive has provided a discussion of the goals, performance criteria, risks, and milestones for each of the “new” programs since FY 2008. The goals of the projects include job and business creation, workforce training, and community revitalization. To further evaluate the need and value of these programs, the legislature may wish to examine the successes the programs had in terms of their goals, objectives, and performance criteria. The evaluation could be used to gauge the success of the programs, whether any successes warrant further funding, and whether the goals and objectives provided fit with the one-time-only funding request or if the projects should be funded on an on-going basis.

#### Legislative Option

The legislative choices include:

- Fund the programs on an ongoing basis, removing the one-time-only designation
- Continue to fund the programs as one-time-only

### Funding

The following table shows program funding, by source for the 2015 biennium as recommended by the Governor.

This Funding table and subsequent narrative will be similar to prior sessions.

Total Department Of Commerce Funding by Source of Authority 2015 Biennium Budget - Business Resources Division							
Funds	HB 2	Non-Budgeted Proprietary	Statutory Appropriation	Total All Sources	% Total All Funds	MCA Reference	Statutory Category
General Fund	\$7,511,683	\$0	\$9,500,000	\$17,011,683	36.2%	15-35-108	Direct
State Special Total	\$4,393,684	\$0	\$15,265,748	\$19,659,432	41.9%		
02090 Business Asst-private	\$180,000	\$0	\$0	\$180,000	0.4%		
02094 Distressed Wood Match	\$0	\$0	\$24,030	\$24,030	0.1%	90-1-504	Direct
02100 Distressed Wood State	\$0	\$0	\$999,532	\$999,532	2.1%	90-1-504	Direct
02116 Accommodation Tax Account	\$0	\$0	\$300,000	\$300,000	0.6%	15-65-121	Direct
02210 Microbusiness Admin Acct	\$203,684	\$0	\$0	\$203,684	0.4%		
02212 Microbusiness Loan Acct	\$4,000,000	\$0	\$0	\$4,000,000	8.5%		
02557 Research & Commercialization	\$0	\$0	\$7,300,000	\$7,300,000	15.6%	90-3-1003	Direct
02771 Economic Development Trust Fund	\$0	\$0	\$6,642,186	\$6,642,186	14.1%	90-1-205	Direct
02848 Sbdc Private Revenue Nonfed	\$10,000	\$0	\$0	\$10,000	0.0%		
Federal Special Total	\$8,130,225	\$0	\$2,140,402	\$10,270,627	21.9%		
03059 Community Development Block	\$5,271,257	\$0	\$0	\$5,271,257	11.2%		
03061 Eda Revolving Loan Fund	\$801,020	\$0	\$0	\$801,020	1.7%		
03092 Distressed Woods Federal	\$0	\$0	\$2,140,402	\$2,140,402	4.6%	90-1-504	Direct
03233 Instep/epscor Funds	\$50,000	\$0	\$0	\$50,000	0.1%		
03932 Cdbg Rlf	\$536,098	\$0	\$0	\$536,098	1.1%		
Total All Funds	\$20,035,592	\$0	\$26,906,150	\$46,941,742	100.0%		
<b>Percent - Total All Sources</b>	<b>42.7%</b>	<b>0.0%</b>	<b>57.3%</b>				

*HB 2 Funding*

General fund supports a number of functions including technology and biomedical research programs, the Montana Capital Investment Board, the Census and Economic Information Center, tribal economic development, the Made in Montana program, regional development programs, and international relations programs. The general fund increase is primarily due to a proposal to continue funding for economic development programs that had been designated as one-time-only in the previous biennia.

State special revenues includes authority for loans made through the Small Business Development Center to micro-business development centers.

Federal special revenues are mainly comprised of federal funding for community development block grants.

<b>LFD COMMENT</b>	The Budget Control Act includes automatic spending reductions, called sequesters, that are currently scheduled to take effect January 2, 2013. For discretionary spending the estimated amount of the reduction is 8.2%. Community development block grants are included in the programs that are covered by the BCA required reductions. As a result, funding for the program may be reduced below what is shown in the executive's proposed budget.
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*Statutory Appropriations*

Over half of the funding in the Business Resource Division is statutorily appropriated. The legislature may effect change in these appropriations through changes to the statutes listed in the table shown above.

General fund for the research and commercialization program and business and economic development programs is provided in statute. State special revenues include funding for the Distressed Wood Products Program, research and development funds that are transferred from the general fund, and the economic development trust fund account that receives interest and income from the coal tax trust.

**LFD ISSUE**

Statutory Appropriations for Research and Commercialization Appropriated Twice

15-35-108(9) (b), MCA, appropriates general fund money to the research and commercialization state special revenue account. Money in this state special revenue account is itself statutorily appropriated. This means the expenditure of the same money is being recorded twice on the accounting system. Money moved from one account into another account within the state treasury is a transfer and does not require an appropriation.

During the interim the Legislative Finance Committee reviewed the appropriations of the general fund and the research and commercialization state special revenue account and determined the general fund appropriation available to the program the LFC approved a proposed transfer of the general fund appropriation into the state special revenue fund for use by the Research and Commercialization program.

These two rows will be replaced with one row entitled "Present Law Adjustments", which in total will represent Personal Services Present Law Adjustments and Legislative Present Law Adjustments.

**Budget Summary by Category**

The following summarizes the total budget by base, present law adjustments, and new proposals.

Budget Item	-----General Fund-----				-----Total Funds-----			
	Budget Fiscal 2014	Budget Fiscal 2015	Biennium Fiscal 14-15	Percent of Budget	Budget Fiscal 2014	Budget Fiscal 2015	Biennium Fiscal 14-15	Percent of Budget
Base Budget	1,844,043	1,844,043	3,688,086	49.10%	4,532,857	4,532,857	9,065,714	45.25%
Statewide PL Adjustments	150,022	148,460	298,482	3.97%	358,752	352,039	710,791	3.55%
Other PL Adjustments	(38,226)	(36,713)	(74,939)	(1.00%)	3,219,642	3,439,995	6,659,637	33.24%
New Proposals	1,800,027	1,800,027	3,600,054	47.93%	1,799,725	1,799,725	3,599,450	17.97%
<b>Total Budget</b>	<b>\$3,755,866</b>	<b>\$3,755,817</b>	<b>\$7,511,683</b>		<b>\$9,910,976</b>	<b>\$10,124,616</b>	<b>\$20,035,592</b>	

**Present Law Adjustments**

The "Present Law Adjustments" table shows the changes to the adjusted base budget proposed by the executive. "Statewide Present Law" adjustments are standard categories of adjustments made to all agencies. Decisions on these items were applied globally to all agencies. The other numbered adjustments in the table correspond to the narrative descriptions.

This paragraph will change to say:  
 The "Present Law Adjustments" table shows the changes from the FY 2015 legislative appropriation to the budget proposed by the executive. "Personal Services Present Law" (PSPL) adjusts personal services. "Legislative Present Law" (LGPL) provides for adjustments to other expenditures such as operating expenses. Each is discussed in more detail in the narrative that follows.

**6501 - DEPARTMENT OF COMMERCE**

This Present Law Adjustments table will consist of two rows, one summarizing PSPL adjustments and the other summarizing LGPL adjustments, plus a third row with a grand total for these present law adjustments. Again, the "Present Law Adjustments" table shows the changes from the FY 2015 legislative appropriation to the budget proposed by the executive.

Present Law Adjustments	Fiscal 2014					Fiscal 2015				
	FTE	General Fund	State Special	Federal Special	Total Funds	FTE	General Fund	State Special	Federal Special	Total Funds
Personal Services					412,665					413,434
Vacancy Savings					(63,483)					(63,516)
Inflation/Deflation					(236)					(46)
Fixed Costs					9,806					2,167
<b>Total Statewide Present Law Adjustments</b>		<b>\$150,022</b>	<b>\$26,650</b>	<b>\$182,080</b>	<b>\$358,752</b>		<b>\$148,460</b>	<b>\$25,994</b>	<b>\$177,585</b>	<b>\$352,039</b>
DP 5103 - BRD Administrative Costs Adjustments - HB 2	0.00	(38,226)	1,105,400	552,468	1,619,642	0.00	(36,713)	1,105,644	771,064	1,839,995
DP 5104 - BRD Federal Grants Adjustments - HB 2	0.00	0	0	1,600,000	1,600,000	0.00	0	0	1,600,000	1,600,000
<b>Total Other Present Law Adjustments</b>	<b>0.00</b>	<b>(\$38,226)</b>	<b>\$1,105,400</b>	<b>\$2,152,468</b>	<b>\$3,219,642</b>	<b>0.00</b>	<b>(\$36,713)</b>	<b>\$1,105,644</b>	<b>\$2,371,064</b>	<b>\$3,439,995</b>
<b>Grand Total All Present Law Adjustments</b>	<b>0.00</b>	<b>\$111,796</b>	<b>\$1,132,050</b>	<b>\$2,334,548</b>	<b>\$3,578,394</b>	<b>0.00</b>	<b>\$111,747</b>	<b>\$1,131,638</b>	<b>\$2,548,649</b>	<b>\$3,792,034</b>

~~DP 5103 - BRD Administrative Costs Adjustments - HB 2~~ - The executive requests additional funding for ongoing expenses on grants received by the Business Resources Division. Included in the adjustment are contracts with three eastern Montana Certified Regional Development Corporations for economic development in eastern Montana, per diem for the Economic Development Commission, recording revolving loans, and cost associated with adjusting the budget of the Business Resources Division. State special revenue support is provided for these programs.

Instead of present law adjustment DPs, following the Present Law Adjustments table there will be two subsections, one devoted to PSPL adjustments and one devoted to LGPL adjustments. These subsections will provide further detail, in either table or narrative form, of major budget changes between the FY 2015 legislative appropriation and FY 2016/FY 2017 budget proposed by the executive.

~~DP 5104 - BRD Federal Grants Adjustments - HB 2~~ - This adjustment provides for grants received by the Business Resources Division to match federal funding for federally funded programs.

**LFD COMMENT**

The legislature may wish to consider the impacts of the federal Budget Control Act in relation to this program prior to approving additional authority that may or may not be needed.

This table includes same data as prior sessions

**New Proposals**

New Proposals	Fiscal 2014					Fiscal 2015					
	Program	FTE	General Fund	State Special	Federal Special	Total Funds	FTE	General Fund	State Special	Federal Special	Total Funds
DP 5101 - BRD Indian Country Economic Development - HB 2	51	1.00	800,000	0	0	800,000	1.00	800,000	0	0	800,000
DP 5102 - BRD Primary Business Sector Training - OTO/BIEN	51	2.00	1,000,000	0	0	1,000,000	2.00	1,000,000	0	0	1,000,000
DP 6101 - Professional Development Center Fee Allocation	51	0.00	27	0	(302)	(275)	0.00	27	0	(302)	(275)
<b>Total</b>	<b>3.00</b>	<b>\$1,800,027</b>	<b>\$0</b>	<b>(\$302)</b>	<b>\$1,799,725</b>	<b>3.00</b>	<b>\$1,800,027</b>	<b>\$0</b>	<b>(\$302)</b>	<b>\$1,799,725</b>	

~~DP 5101 - BRD Indian Country Economic Development (ICED) - HB 2~~ - The executive requests support for the Tribal Economic Development Program, which provides resources to existing and new tribal businesses to expand operations and facilities, and train and employ new workers. The Tribal Economic Development Program assists by helping tribal members in Montana get hired into permanent full-time jobs, start their own businesses, and improve their economic circumstance.

The new proposal DP write-ups remain unchanged from prior budget analyses.

*The following information is provided so that the legislature can consider various performance measurement principles when examining this proposal. It is submitted by the agency, with editing by LFD staff as necessary for brevity and/or clarity.*

Justification - One of the greatest economic development challenges that Montana faces is capitalizing on or creating opportunities for job creation and economic prosperity on Montana's Indian Reservations and with non-reservation tribal members.

According to the 2010 Census, there were 62,555 self-identified American Indians in Montana, or about 6.3% of the total population. Approximately 38,354 American Indians, or about 61.3%, lived on one of the seven reservations in the state. The Blackfeet and the Flathead reservations were the largest, with 8,944 and 7,042 American Indian residents, respectively. Rocky Boy's (3,221) and the Fort Belknap (2,704) reservations had the smallest number of American Indians residents.

Based upon the methodology used, the unemployment rate for Reservations in Montana has historically ranged from 15% to 30% using the Bureau of Labor Statistics methodology; and from 25% to 75% using Bureau of Indian Affairs methodology. Whichever methodology is used, these rates are considerably higher than the rest of the state, even in an economic downturn.

According to 1999 Census Bureau statistics, an estimated 30.6% of families are below the poverty level on reservations in Montana. A more recent 2008 survey of poverty in school districts (whose boundaries are on the reservations) estimate American Indian children ages 5-17 in families in poverty at:

- 0.5% of the families in school districts with boundaries on the Blackfeet reservation live in poverty of which 76.6% are Blackfeet families
- 27.5% of the families in school districts with boundaries on the Crow reservation live in poverty of which 82.9% are Crow families
- 21.2% of the families in school districts with boundaries on Flathead reservation live in poverty of which 23.6% are Confederated Salish & Kootenai Tribes families
- 28% of the families in school districts with boundaries on the Fort Belknap reservation live in poverty of which 59.8% are Fort Belknap Indian Community families
- 28.2% of the families in school districts with boundaries on the Fort Peck reservation live in poverty of which 48% are Fort Peck Assiniboine & Sioux families
- 33.5% of the families in school districts with boundaries on the Northern Cheyenne reservation live in poverty of which 63% are Northern Cheyenne families
- 22% of the families in school districts with boundaries on the Rocky Boy reservation live in poverty of which 42.8% are Chippewa Cree families

Project Outcomes - The goals of this program are to attract new and existing business investment on reservations in Montana. This new investment is in the form of business development, workforce training, tribal entrepreneurial training, feasibility studies and economic development needs surveys, start-up and expansion funds for tribal member-owned businesses, and other tribal priority business development projects.

Performance Criteria - Success of the ICED investment will be measured by tracking:

- Number of jobs created, retained, and/or trained through the project
- Number of tribal member businesses created or expanded through grant funding
- Number of tribal members enrolling in and graduating from Indianpreneurship training
- Amount of leveraged and matched funds
- Number of projects that meet or exceed their proposed goals

Milestones - Since the Montana Department of Commerce has been operating the Indian Country Economic Development Program since 2006, the key activities of the program have become well-established. An application process and guidelines have been developed and refined. The grant review committee has been established and has met

to adopt the guidelines and to review and make grant awards. Contracts with the current grantees are in place.  
 FTE - The work is being performed by existing staff for the Montana Department of Commerce.

Funding – General fund is requested for this program. The Indian Country Economic Development Program is designed to promote progress in business and employment opportunities in Montana's reservation communities. The grant review committee may award grants to tribal governments and individual small business tribal members for proposals that start or expand businesses, assess business feasibility and needs, provide entrepreneurial and other necessary business training, or other projects that will have a systemic effect on the economic development opportunities for a specified reservation. A tribal government proposal is encouraged to provide a match of \$1 for every \$1 awarded. Match includes:

- Direct project-related costs such as new equipment, fixed assets, and buildings
- In-kind tribal government and administrative time dedicated to proposal development
- For individual tribal member businesses, the business owner must provide a 1:1 match including firm loan commitments and collateral (cash or in-kind)

Obstacles - The proposal has been implemented and is working efficiently since 2006.

Risk - Failing to renew the Indian Country Economic Development Program would reverse the measurable progress that has been made in developing economies of reservation communities. If the proposal is not adopted, the economies on Montana's Indian reservations will continue to lag behind the rest of Montana's economy. The elimination of economic development opportunities in tribal communities may cause the tribes to be more vulnerable to the current economic downturn. The economic status quo could result in increasing poverty and unemployment rates.

DP 5102 - BRD Primary Business Sector Training - OTO/BIEN - The executive requests funding for the Primary Sector Business Training Program to provide grant funds to new and existing Montana businesses to train new employees. A seven member grant review committee consisting of both public and private members, reviews application and allocates funding through the Department of Commerce.

*The following information is provided so that the legislature can consider various performance measurement principles when examining this proposal. It is submitted by the agency, with editing by LFD staff as necessary for brevity and/or clarity.*

Justification - The Primary Sector Business Training Program provides grant funds to new and existing Montana businesses to train employees in new jobs. This economic development tool is a catalyst for creating new, good jobs in Montana that pay benefits. Montana continues to struggle with low wages and under-trained workers.

The Primary Sector Business Training Program is needed to:

- Provide an essential incentive for new businesses to locate to Montana. State-supported worker training programs are among the incentives most important to expanding or relocating businesses
- Provide existing businesses with essential support to train employees in new jobs that allows them to expand their business in Montana without needing to leave the state

Project Outcomes - The goals of this program are:

- Attract new investment in Montana by providing support to train new employees in new jobs as a major incentive to relocate
- Assist new and existing businesses in creating new jobs that pay a minimum of the average weekly wage that meets or exceeds the lesser of 170% of Montana's current minimum wage or the current average weekly wage of the county

Performance Criteria – The following will be tracked and reported to measure success:

- Creation of eligible new jobs and the hiring of employees for those jobs
- Salaries of trainees and changes to salaries through the project

- Summaries of the training program as planned and as delivered
- Amount expended for training in a new job

Milestones - Since the Montana Department of Commerce has been operating the Primary Sector Business Training Program for the last four biennia, the key activities of the program have already been completed. There is an application process and guidelines that have been developed. A grant review committee has been established and has met to review and make grant awards. Contracts with current grantees are in place. Staff is continuing to work with potential applicants informing them that additional funding is being requested for the program that would be available at the beginning of the new biennium.

FTE - The work is being performed by existing staff of the Montana Department of Commerce.

Funding – General fund is requested for this program. The Primary Sector Business Workforce Training Act is designed to encourage the creation of good-paying jobs in primary sector businesses. The division may award workforce training grants to primary sector businesses that provide education or skills-based training to employees in new jobs. To be potentially eligible for a grant, an applicant shall demonstrate that at least 50% of the applicant's sales will be from outside of Montana or that the applicant is a manufacturing company with 50% of its sales from companies that have 50% of their sales outside of Montana and shall meet at least one of various established criteria. The maximum grant award is \$5,000 for each full-time new job and \$2,500 for each part-time new job. The business is required to provide a match of at least \$1 for every \$3 awarded. The grant award may only be used for direct costs associated with education or skills-based training for employees in new jobs.

Obstacles - The proposal has been implemented and is working well.

Risk – The risks if the program is not funded are:

- Loss of incentives to attract new business enterprises to Montana
- Loss of a competitive recruitment and retention tool that almost all other states employ placing Montana at a disadvantage for expanded jobs and businesses
- Montana workers will not receive training in new production methods on state of the art equipment and will not accrue skills that could benefit them throughout their working life

DP 6101 - Professional Development Center Fee Allocation - The executive requests an increase for training services purchased from the Professional Development Center (PDC) of the Department of Administration. This request reflects the difference between the amount paid in the base for PDC services and a fixed cost allocation based on agency FTE counts. Starting in the 2015 biennium and beyond, the executive recommends funding the PDC as a fixed cost item. For a further discussion, see the narrative for the Department of Administration.