

Program Budget Comparison

The following table summarizes the total proposed budget by year, type of expenditure, and source of funding.

Program Budget Comparison								
Budget Item	Base Fiscal 2014	Approp. Fiscal 2015	Budget Fiscal 2016	Budget Fiscal 2017	Biennium Fiscal 14-15	Biennium Fiscal 16-17	Biennium Change	Biennium % Change
Operating Expenses	272,751	750,000	750,000	750,000	1,022,751	1,500,000	477,249	46.66 %
Total Costs	\$272,751	\$750,000	\$750,000	\$750,000	\$1,022,751	\$1,500,000	\$477,249	46.66 %
State/Other Special Rev. Funds	272,751	750,000	750,000	750,000	1,022,751	1,500,000	477,249	46.66 %
Total Funds	\$272,751	\$750,000	\$750,000	\$750,000	\$1,022,751	\$1,500,000	\$477,249	46.66 %

Program Description

The Montana Promotion Division (division) strives to strengthen Montana’s economy through increased visitor travel, visitor expenditures, and film production, in the state. The division is responsible for implementing and promoting a positive brand image for Montana as a vacation destination and works to ensure brand consistency amongst its marketing and promotional efforts. The division focuses on attracting high value, low impact geotraveler visitors who contribute to Montana’s economic and social prosperity while respecting and appreciating Montana’s authentic natural and cultural assets. This program goal is accomplished through various marketing efforts, networking with the state’s public and private sector tourism and recreation industry and agencies, along with education and development assistance. The division works to project a positive image of the state through consumer advertising, electronic marketing, public relations efforts, international and domestic group travel marketing, printing and distribution of literature, staffing support and training of professional travel counselors, assisting in the development of tourism infrastructure and marketing to motion picture and television production companies. The division provides training and assistance to the Montana tourism industry, administers, and distributes event marketing and infrastructure grants and oversees expenditures of six regional non -profit corporations and fifteen qualified convention and visitors bureaus.

Program Highlights

<p>Montana Promotion Division Major Budget Highlights</p>
<ul style="list-style-type: none"> • Over 97% of the Montana Promotion Division budget, including 29.50 FTE is supported by statutory appropriations not reflected in HB 2 • The executive proposes a biennial increase in the program of 46.7% when compared to the 2015 biennium. Funding for private funds supports the change
<p>Major LFD Issues</p>
<ul style="list-style-type: none"> • Proposed expenditures exceed revenues by \$1.9 million over the biennium • Proposal for private funds higher than trends indicate

Program Discussion -

As almost 97% of the budget is supported by statutory funding, the expenditures by type of costs are not shown in the program budget comparison table above. The following table shows the proposed executive budget for the program by year, types of expenditures, and source of funding. Revenues supporting the program are broken into the accounts

within the state special revenue fund and are shown using the HJR 2 estimated revenues adopted by the Revenue and Transportation Interim Committee on November 20, 2014.

Personal services increase between biennia due to:

- Elimination of 4% vacancy savings without a corresponding reduction in FTE
- Addition of 1.00 FTE for a program specialist
- Annualization of state share contribution to the cost of employee health insurance
- Annualization of FY 2015 pay increase
- Reclassification of 6.00 FTE
- Employee attainment of longevity requirements

Department of Commerce Montana Promotion Division Program Budget Comparison							
Budget Item	Base FY 2014	Appropriated FY 2015	Proposed FY 2016	Proposed FY 2017	Biennium Fiscal 14-15	Biennium Fical 16-17	Biennium % Change
FTE	29.50	28.50	29.50	29.50	28.50	29.50	3.51%
Personal Services	\$1,995,929	\$1,945,376	\$2,254,892	\$2,250,521	\$3,941,305	\$4,505,413	14.31%
Operating Expenses	12,389,338	14,829,673	13,650,160	14,528,004	27,219,011	28,178,164	3.52%
Equipment and Intangibles	33,346	48,508	33,346	33,346	81,854	66,692	-18.52%
Local Assistance	5,476,316	6,246,437	6,285,000	6,835,000	11,722,753	13,120,000	11.92%
Grants	<u>1,756,029</u>	<u>1,099,320</u>	<u>1,756,029</u>	<u>1,756,029</u>	<u>2,855,349</u>	<u>3,512,058</u>	<u>23.00%</u>
Total Costs	21,650,958	24,169,314	23,979,427	25,402,900	45,820,272	49,382,327	7.77%
State Special							
Accomodation Tax Account*	16,271,154	16,237,000	17,054,000	18,095,000	32,508,154	35,149,000	8.12%
Regional Accomodation Tax*	5,452,747	5,629,000	5,912,000	6,273,000	11,081,747	12,185,000	9.96%
L& C Bicentennial Plate Fund	32,865	55,000	32,865	32,865	87,865	65,730	-25.19%
Film Production Credit	1,000	1,000	1,000	1,000	2,000	2,000	0.00%
State Special	<u>\$21,757,766</u>	<u>\$21,922,000</u>	<u>\$22,999,865</u>	<u>\$24,401,865</u>	<u>\$43,679,766</u>	<u>\$47,401,730</u>	<u>8.52%</u>
Over (under) expended	<u>\$106,808</u>	<u>(\$2,247,314)</u>	<u>(\$979,562)</u>	<u>(\$1,001,035)</u>	<u>(\$2,140,506)</u>	<u>(\$1,980,597)</u>	
* HJR 2 revenue estimates adopted 11/20/2014 for FY 2015, FY 2016 and FY 2017							

Projected revenues for FY 2014 were \$0.5 million higher than projected in early 2013. This updated figure was amended into the budget and increased spending for local assistance to local governments.

LFD ISSUE	<p>Proposed Expenditures Exceed Revenues By \$1.9 million Over the Biennium</p> <p>As shown in the figure above, proposed expenditures for the program exceed estimated revenues by \$1.9 million over the biennium. While statutory appropriations are not approved by the legislature, the proposed funding and expenditures are part of the overall state budget for the biennium. The source of funding for the accommodation tax account</p>
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and the regional accommodation tax is the lodging use facility tax. By statute, lodging facilities in the state assess a 7% tax on accommodations and is collected from customers of the facility upon payment for their stay. The tax is based on the fees charged for lodging. 87.4% of the tax collected is statutorily allocated to the Department of Commerce for:

- Promotion of the tourism industry in Montana – 64.9%
- Distribution to regional nonprofit tourism corporations and nonprofit convention and visitors bureau – 22.5%

By statute Commerce distributes funding to the regional tourism centers and cities based on the amount of lodging use tax collected. Thus, the LFD projects the expenditures for local assistance would be \$5.9 million in FY 2016 and \$6.3 million in FY 2017, a decrease of \$0.9 million over the biennium from the estimates included in the budgeting system. Other reductions that would need to occur are not currently outlined in the budgeting system and thus are not articulated to the legislature. The legislature may wish to request an updated projection of estimated costs for the statutory appropriations provided to the program prior to adopting the HB 2 portion of the division’s budget.

Legislative Option

If the legislature wishes to ensure that the overall division budget accurately reflects costs associated with the program it may request the division provide update estimates of costs for the program given the adopted revenue estimates.

Funding

The following table shows proposed program funding by source from all sources of authority.

Department of Commerce, 52-Montana Promotion Division Funding by Source of Authority						
Funds	HB2	Non-Budgeted Proprietary	Statutory Appropriation	Total All Sources	% Total All Funds	
General Fund	0	0	0	0	0.00 %	
02116 Accommodation Tax Account	36,741	0	36,943,859	36,980,600	71.62 %	
02154 MT Promotion-Private	1,463,259	0	0	1,463,259	2.83 %	
02254 Regional Accommodation Tax	0	0	13,120,000	13,120,000	25.41 %	
02271 L&C Bicentennial Plate Fund	0	0	65,730	65,730	0.13 %	
02293 Film Production Credit	0	0	2,000	2,000	0.00 %	
State Special Total	\$1,500,000	\$0	\$50,131,589	\$51,631,589	100.00 %	
Federal Special Total	\$0	\$0	\$0	\$0	0.00 %	
Proprietary Total	\$0	\$0	\$0	\$0	0.00 %	
Total All Funds	\$1,500,000	\$0	\$50,131,589	\$51,631,589		

The Montana Promotion Division is funded entirely with state special revenues. The primary funding source is a portion of the statutorily appropriated 7% accommodations tax. The funding table denotes the funding provided in HB 2 and the statutorily appropriated funds.

HB 2

The portion of the division’s budget that is considered by the legislature in HB 2 is less than 4% of the division’s total budget for the 2017 biennium. \$750,000 each year is from private contributions to joint private/state targeted advertising campaigns. The remaining funding is appropriated from a portion of the 4% Montana lodging facility use tax for legislative audit costs.

**LFD
ISSUE**

Funding Requested Higher Than Trends Indicate

Actual expenditures associated with private funds in the Montan Promotion Division for the last completed fiscal years are shown in the figure.

Department of Commerce Montana Promotion Division Private Funds			
	FY 2012	FY 2013	FY 2014
Private Funds	\$159,357	\$225,398	\$247,483
% Change	-66.01%	41.44%	9.80%

As shown in the figure, private funds collected by the program for the last three years have been significantly below the amounts requested in the budget, 67% below using FY 2014 which had the highest collections of the last three years. The legislature may wish to align the funding to a more realistic estimate of revenues by approving a lower amount of state special revenues from the Montana promotion private account. Options might include:

- \$247,483, the highest amount of revenues received over the last three years
- \$318,803, the highest percentage change applied to FY 2014 collections

Legislative Option

Reduce the appropriations for the Montana promotion private account.

Statutory Appropriations

The majority of the lodging facility use taxes are statutorily appropriated to the division. The legislature can affect change to these appropriations through amendments to the statutes listed in the funding tables. For additional information on the history, distribution, and division uses of the funds see the appendix for the Department of Commerce.

Budget Summary by Category

The following summarizes the total budget utilizing the FY 2015 Legislative base, present law adjustments, and new proposals.

Budget Item	-----General Fund-----				-----Total Funds-----			
	Leg. Budget Fiscal 2016	Leg. Budget Fiscal 2017	Leg. Biennium Fiscal 16-17	Percent of Budget	Leg. Budget Fiscal 2016	Leg. Budget Fiscal 2017	Leg. Biennium Fiscal 16-17	Percent of Budget
2015 Budget	0	0	0	0.00 %	750,000	750,000	1,500,000	0.00 %
PL Adjustments	0	0	0	0.00 %	0	0	0	0.00 %
New Proposals	0	0	0	0.00 %	0	0	0	0.00 %
Total Budget	\$0	\$0	\$0		\$750,000	\$750,000	\$1,500,000	

Present Law Adjustments -

The "Present Law Adjustments" table shows the changes from FY 2015 legislative appropriation to the budget proposed by the executive. PSPL adjusts all personal services. LGPL provides for adjustments to other expenditures such as operating expenses. Each is discussed in the narrative that follows. Total funds in the Present Law Adjustments table do not include proprietary funds budgeted in House Bill 2.

Present Law Adjustments	-----Fiscal 2016-----					-----Fiscal 2017-----				
	FTE	General Fund	State Special	Federal Special	Total Funds	FTE	General Fund	State Special	Federal Special	Total Funds
DP 98 - LEG. Personal Services Present Law	0.00	0	0	0	0	0.00	0	0	0	0
DP 99 - LEG. Present Law	0.00	0	0	0	0	0.00	0	0	0	0
Grand Total All Present Law Adjustments	0.00	\$0	\$0	\$0	\$0	0.00	\$0	\$0	\$0	\$0

DP 98 - LEG. Personal Services Present Law -

As reflected in the present law adjustment table, the division does not have any personal services expenditures or funding provided in HB 2. Thus there is not an adjustment.

DP 99 - LEG. Present Law -

Operating expenses for the HB 2 appropriations as proposed as the FY 2015 legislative base budget.