

Agency Budget Comparison

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

Agency 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
FTE	49.25	49.25	52.04	52.04	49.25	52.04	2.79	5.66 %
Personal Services	3,100,195	3,700,449	4,081,184	4,087,532	6,800,644	8,168,716	1,368,072	20.12 %
Operating Expenses	3,869,520	7,155,639	6,982,677	6,972,402	11,025,159	13,955,079	2,929,920	26.57 %
Grants	10,054,807	18,259,960	19,812,277	19,234,789	28,314,767	39,047,066	10,732,299	37.90 %
Benefits & Claims	157,063	358,921	370,731	370,731	515,984	741,462	225,478	43.70 %
Transfers	0	0	2,375,000	2,375,000	0	4,750,000	4,750,000	0.00 %
Total Costs	\$17,181,585	\$29,474,969	\$33,621,869	\$33,040,454	\$46,656,554	\$66,662,323	\$20,005,769	42.88 %
General Fund	3,455,383	4,486,833	8,871,346	8,485,596	7,942,216	17,356,942	9,414,726	118.54 %
State/Other Special Rev. Funds	3,188,483	7,106,724	6,456,379	6,452,409	10,295,207	12,908,788	2,613,581	25.39 %
Federal Spec. Rev. Funds	10,537,719	17,881,412	18,294,144	18,102,449	28,419,131	36,396,593	7,977,462	28.07 %
Total Funds	\$17,181,585	\$29,474,969	\$33,621,869	\$33,040,454	\$46,656,554	\$66,662,323	\$20,005,769	42.88 %

Mission Statement

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

There is additional, more detailed information about the department in the agency profile. The profile may be viewed at: <http://leg.mt.gov/fbp-2017.asp>

Agency Highlights

Department of Commerce Major Budget Highlights
<ul style="list-style-type: none"> • The executive proposes overall budget increases of 42.9% or \$20.0 million between biennia. Increases in general fund are primarily due to the net of three factors: <ul style="list-style-type: none"> ◦ Continued funding for economic development programs that were funded as one-time-only in previous biennia ◦ Continued funding for the Native Language Preservation Program and biomedical research funding ◦ A new proposal to provide \$5.50 million over the biennia to enhance current economic development programs within Commerce • Federal grant funding increases \$7.97 million including: <ul style="list-style-type: none"> ◦ Community Development Block Grants ◦ Home Program grants
Legislative Action Issues
<ul style="list-style-type: none"> • Changes in budgeting methodology results in proprietary rate increases and costs for programs supported by statutory appropriations • Growing fund balance in big sky economic development income fund indicates expansion of uses could be considered

Agency Personal Services

It should be noted that 2014 actual spending in the agency budget comparison table includes \$0.2 million in general fund transferred from the Governor's Office. The 2013 Legislature eliminated the Energy Promotion Division in Commerce but provided funding for personal services costs supporting 2.0 FTE and related operating expenses. It was the legislature's intent that the Office of Economic Development utilize the positions for a coordinated approach to energy development state-wide. The Governor transferred the positions and funding back to Commerce in June 2013.

Personal services costs of \$11.7 million are not shown in the agency budget comparison table for HB 2 because they are funded through other means such as statutory appropriations or through proprietary rates. This amount includes personal services expenditures for the following:

- Business Resources Division - \$1.1 million, of which \$0.7 million is in statutory appropriations for administration of the Distressed Wood Products Program, Research and Commercialization Program, and Big Sky Economic Development Trust Program
- Montana Promotion Division - \$2.0 million
- Montana Facility Financing Authority - \$ 0.2 million
- Housing Division - \$2.8 million
- Board of Investments - \$3.1 million
- Montana Heritage Commission - \$0.5 million
- Management Services Division - \$1.5 million

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Changes in Budgeting Methodology for Personal Services Results in Proprietary Rate Increases and Increased Costs for Programs Supported by Statutory Appropriations

Proprietary funded programs and those supported through statutory appropriations were assessed vacancy savings in previous biennia in line with the vacancy savings required of HB 2 programs. In the 2017 biennium the proprietary programs eliminated vacancy savings but did not provide for corresponding reductions in positions to offset the increased program costs.

The figure below shows the total 4% vacancy savings amounts used to reduce personal service costs in the 2015 biennium by program for all appropriation types.

Department of Commerce Vacancy Savings										
Program	General Fund		State Special Revenue		Federal Revenue		Proprietary Funds		Total Funds	
	FY 2014	FY 2015	FY 2014	FY 2015	FY 2014	FY 2015	FY 2014	FY 2015	FY 2014	FY 2015
HB 2										
Business Resources Division	(\$29,726)	(\$29,748)	(\$15,102)	(\$15,118)	(\$22,880)	(\$22,867)	\$0	\$0	(\$67,708)	(\$67,734)
Community Development Division	(21,043)	(21,010)	(26,635)	(26,593)	(13,837)	(13,857)	0	0	(61,515)	(61,460)
Housing Division	0	0	0	0	(14,757)	(14,767)	0	0	(14,757)	(14,767)
Total HB 2	(50,769)	(50,758)	(41,737)	(41,711)	(51,474)	(51,491)	0	0	(143,980)	(143,961)
Proprietary										
Facilities Finance Authority	0	0	0	0	0	0	(9,004)	(9,001)	(9,004)	(9,001)
Housing Division	0	0	0	0	0	0	(110,142)	(110,230)	(110,142)	(110,230)
Board of Investments	0	0	0	0	0	0	(126,931)	(126,955)	(126,931)	(126,955)
Director's Office	0	0	0	0	0	0	(63,604)	(63,652)	(63,604)	(63,652)
Total Proprietary	0	0	0	0	0	0	(309,681)	(309,838)	(309,681)	(309,838)
Statutory Appropriations										
Business Resources Division	(13,764)	(13,790)	(8,545)	(8,560)	(4,460)	(4,453)	0	0	(26,769)	(26,803)
Montana Promotion Division	0	0	(79,696)	(79,866)	0	0	0	0	(79,696)	(79,866)
Montana Heritage Commission	0	0	(27,559)	(27,612)	0	0	0	0	(27,559)	(27,612)
Total Statutory	(13,764)	(13,790)	(115,800)	(116,038)	(4,460)	(4,453)	0	0	(134,024)	(134,281)
Total All Programs and Funding Sources	(\$64,533)	(\$64,549)	(\$157,537)	(\$157,749)	(\$55,934)	(\$55,944)	(\$309,681)	(\$309,838)	(\$587,685)	(\$588,080)

As shown, the majority of the 4% reduction assessed in the 2015 biennium was included in the personal services costs supported by proprietary rates, \$0.6 million over the biennium or 52.7% of the total. In the 2017 biennium the assessment of an equivalent reduction in FTE of 4% is not included as part of the calculation of the positions funded through proprietary rates, nor is a vacancy savings applied, increasing the cost of personal services between biennia and increasing fixed costs in the programs within Commerce. This increase is then passed on in higher fixed costs assessments to divisions and boards, including those funded with general fund.

About 22.8% of the 4% reduction was assessed to the programs that are supported by statutory appropriations including:

- Business Resources Division
- Montana Promotion Division
- Montana Heritage Commission

The assessment of an equivalent reduction of FTE was not included in the budgets as proposed for these programs either. Increases in personal service costs reduce funding available for other components of the programs such as maintenance in Virginia and Nevada cities or local assistance for tourism promotion.

Legislative Option

If the legislature wishes to reduce the personal service costs supported by proprietary rates and statutory appropriations by approximately 4% it can consider reducing the rates for the positions that were vacant a significant portion of FY 2014.

Agency Personal Services within HB 2

Overall the personal services budget for Commerce increases 9.7% when compared to the 2015 legislative appropriation. Discussion of related adjustments is provided in each program narrative.

Recruitment and retention

According to Commerce staff, between July 2013 and June 2014 Commerce had difficulty in recruiting qualified applicants for two types of positions:

- Auditors
- Program specialists for mortgage servicing

Retirements

Commerce indicates that 71 employees within the agency or 35.5% are eligible for either full or early retirement. In FY 2014 Commerce paid \$15,300 in retirements and sick leave payouts.

5% Plans

Statute requires that agencies submit plans to reduce general fund and certain state special revenue funds by 5%. A summary of the entire 2017 biennium 5% plan submitted for this agency is in the appendix.

For this agency the general fund impact of the 5% plan is \$63,907 and the state special revenue impact is \$222,216.

Comparison of FY 2015 Legislative Base to FY 2015 Appropriation

The following highlights the differences between the FY 2015 appropriations as shown in the agency budget comparison table to the FY 2015 legislative appropriations used for purposes of the base budget, by program.

FY 2015 Appropriation Transactions - Department of Commerce						
Program	Legislative Appropriation	Legislative App OTO	Consolid of Bien Approp	House Adj Reorgs		Total Executive Implementation
51 BUSINESS RES DIV	\$8,777,117	\$3,250,000	(\$1,125,000)	-		\$10,902,117
Pers Svcs	1,518,232	184,462	(23,090)			1,679,604
Op Exp	4,425,883	118,589	(10,000)	-		4,534,472
Grants	2,833,002	2,946,949	(1,091,910)			4,688,041
52 MT PROMOTION DIV	750,000					750,000
Op Exp	750,000					750,000
60 COMM DVLP DIV	9,140,112				\$6,659,468	15,799,580
Pers Svcs	1,532,254				391,368	1,923,622
Op Exp	761,865				92,174	854,039
Grants	6,845,993				6,175,926	13,021,919
74 HOUSING DIVISION	7,984,468			-	(6,659,468)	1,325,000
Pers Svcs	391,368				(391,368)	-
Op Exp	1,058,253			-	(92,174)	966,079
Grants	6,175,926				(6,175,926)	-
Benefits & Claims	358,921					358,921
78 BD OF HORSE RAC	148,272			-		148,272
Pers Svcs	97,223			-		97,223
Op Exp	51,049			-		51,049
81 MGMT SVCS DIV	550,000					550,000
Grants	550,000					550,000
Agency Total	\$27,349,969	\$3,250,000	(\$1,125,000)	-	-	\$29,474,969

Biennial transfers of \$1.1 million from FY 2015 to FY 2014 included \$750,000 of authority for the native language preservation project and \$341,910 of matching funds for federal grants for the SBIT/STTR Program was transferred within the Business Resource Division. Commerce transferred the HOME Program, a federal block grant, from the Housing Division to the Community Development Division. The funding from the U.S. Department of Housing and Urban Development is designed to create affordable housing for low-income households.

Total FY 2014 Actual Spending

The figure on the following page shows the expenditures and funding sources used by the agency in FY 2014, including statutory appropriations and non-budgeted proprietary funds, compared to the FY 2014 appropriation. Overall the agency spent \$26.9 million less than projected in the legislative budget adopted in April 2013.

It should be noted that the figure does not include \$43.2 million in additional expenditures that were provided through appropriation transfers, budget amendments, and other house bills such as the Treasure State Endowment Program or Quality Education Grant Program. About half of the \$43.2 million was for debt service for bond interest costs for housing bonds issued by the Board of Housing. Housing bonds finance low-interest mortgages for low and moderate income home buyers and the acquisition, construction, and rehabilitation of multifamily housing for low-income renters.

Department of Commerce FY 2014					
Expenditures	Budgeted	Actuals	% of Total	Difference	
				From Budgeted	% Change
Personal Services	\$14,800,951	\$14,044,897	14.12%	(\$756,054)	-5.11%
Operating Expenses	32,787,522	24,146,643	24.28%	(8,640,879)	-26.35%
Equipment & Intangible Assets	76,299	56,036	0.06%	20,263	26.56%
Capital Outlay	31,536	0	0.00%	(31,536)	-100.00%
Local Assistance	6,181,918	5,476,316	5.51%	(705,602)	-11.41%
Grants	28,645,855	16,058,264	16.14%	(12,587,591)	-43.94%
Benefits and Claims*	40,112,817	36,156,092	36.35%	(3,956,725)	-9.86%
Transfers-Out	1,591,000	1,488,833	1.50%	(102,167)	-6.42%
Debt Service	<u>2,098,162</u>	<u>2,036,613</u>	<u>2.05%</u>	<u>(61,549)</u>	<u>-2.93%</u>
Total Expenditures	<u>\$126,326,060</u>	<u>\$99,463,694</u>	<u>100.00%</u>	<u>(\$26,862,367)</u>	<u>-21.26%</u>
Funding					
General Fund	10,026,962	7,912,736	7.96%	(2,114,226)	-21.09%
State Special Revenue	38,773,318	29,808,056	29.97%	(8,965,262)	-23.12%
Federal Revenue	18,989,393	9,462,542	9.51%	(9,526,851)	-50.17%
Enterprise	51,598,657	45,467,609	45.71%	(6,131,047)	-11.88%
Internal Service	6,937,731	6,812,749	6.85%	(124,981)	-1.80%
Total Funding	<u>\$126,326,060</u>	<u>\$99,463,694</u>	<u>100.00%</u>	<u>(\$26,862,367)</u>	<u>-21.26%</u>
* Excluding STIP distributions and disbursements					

Local Assistance, Grants, and Benefits and Claims

Approximately \$69.6 million or 50% of the funding was spent in FY 2014 on benefits and claims, grants, and local assistance. Benefits and claims funded in HB 2 includes:

- \$15.8 million in Section 8 housing vouchers
- \$18.6 million in Section 8 project claims

Benefits and claims were below projected levels by \$3.9 million. The majority of the difference was less demand for Section 8 Housing Assistance Program Services (HAPS).

The following table shows the various grants. Budgeted amounts are shown for comparison purposes.

Department of Commerce Budgeted to Actuals Comparison Grants FY 2014				
Program	Budgeted	Actuals	Difference	% Change
<u>HB 2 Ongoing</u>				
BUSINESS RESOURCES HB2	\$2,491,092	\$1,374,300	\$1,116,792	44.83%
SBIR/STTR PROGRAM - RST/BIEN	683,796	559,600	124,196	18.16%
COMMUNITY DEVELOPMENT HB2	11,191,494	5,404,974	5,786,520	51.70%
COAL BOARD GRANTS - BIEN	2,148,386	997,285	1,151,101	53.58%
MGMNT SVSC/D.O. HB2	<u>550,000</u>	<u>453,944</u>	<u>96,056</u>	<u>17.46%</u>
Total Ongoing Funding	17,064,768	8,790,103	8,274,665	48.49%
<u>HB 2 One-time-only</u>				
TRIBAL DEVELOPMENT - OTO	672,000	671,981	19	0.00%
PRIMARY BUSINESS SECT BIEN/OTO	1,215,553	(36,741)	1,252,294	103.02%
BIOMEDICAL RESEARCH - BIEN/OTO	1,000,000	45,824	954,176	95.42%
MANUFACTURE EXTENSION RST/OTO	50,000	50,000	0	0.00%
NATIVE LANGUAGE (RST/BIEN/OTO)	<u>1,750,000</u>	<u>1,250,400</u>	<u>499,600</u>	<u>28.55%</u>
Total One-time-only	4,687,553	1,981,464	2,706,089	57.73%
<u>Proprietary and Statutory</u>				
BUSINESS RESOURCES HB1-SA	425,000	425,000	0	0.00%
BIG SKY DEV TRUST - SA	2,925,771	1,791,199	1,134,572	38.78%
RESEARCH & COMM - SA	1,077,763	883,214	194,549	18.05%
BED TAX - PROMOTION - SA	1,750,000	1,721,502	28,498	1.63%
L & C LICENSE PLATES - SA	55,000	32,865	22,135	40.25%
HARD ROCK COUNTY DIST - SA	600,000	375,918	224,082	37.35%
FACILITIES FINANCE - HB576	<u>60,000</u>	<u>57,000</u>	<u>3,000</u>	<u>5.00%</u>
Total Proprietary and Statutory	6,893,534	5,286,697	1,606,837	23.31%
	<u>\$28,645,855</u>	<u>\$16,058,264</u>	<u>\$12,587,591</u>	<u>43.94%</u>

Overall Commerce has 43.9% in unexpended appropriation authority provided in FY 2014 for grants. Biennial grants that can be spent in either year include:

- Primary business sector training
- Coal Board grants
- SBIR/STIR funding
- Biomedical research grants
- Native American language preservation

\$5.5 million in local assistance was provided to support regional and local tourism and marketing efforts. Expenditures were about 11.4% below the anticipated level.

Operating Expenses

\$17.0 million in operating expenses were supported through either proprietary funds or statutory appropriations, including:

- \$1.5 million in loans made in the SSBCI Treasury Grant Program

- \$0.7 million in loan forgiveness and \$0.2 million in bad debt write offs related to Distressed Wood Products Industry Program
- \$12.4 million in costs for the Montana Promotion Division including consulting and professional services at \$4.2 million and advertising of \$4.9 million
- \$6.5 million for the Board of Housing with \$3.9 million in consulting and professional services
- \$2.3 million for the Board of Investments
- \$0.7 million at the Montana Heritage Commission

Spending below levels projected in the budget for these funding sources include:

- \$3.9 million less in national advertising than anticipated associated with the Montana Promotion Division
- \$1.6 million less in consulting and professional services overall

HB 2 Comparison of FY 2014 Actual Expenditures to FY 2015 Legislative Appropriation

Expenditures included in HB 2 makes up about 13.6% of the total FY 2014 expenditures. Actual HB 2 FY 2014 expenditures are \$12.3 million below the FY 2015 legislative appropriation. Primary reasons for the difference are:

- \$8.2 million in lower grant funding makes up the majority of the difference. As discussed in the comparison of FY 2014 budget to actuals, requests for grant funding were lower than anticipated in the budget estimates. It should be noted that a number of the grants supported in HB 2 were provided as biennial appropriations meaning the agency can expend all on the funds in either the first or second year or spend more in either year depending on the award process and number of qualified applicants
- Operating expenses were lower by \$3.3 million. Commerce included \$2.9 million a year for loans made with \$2.0 million for the Microbusiness Loan Program in FY 2015. Requests for loans in FY 2014 were \$575,000 or 19.8% of the anticipated level. The other component of operating expenses that was under budget was printing and graphics costs and national advertising for the Montana Promotion Division. Budgeted costs were \$752,300 while actuals in FY 2014 came in at \$102,000.
- Personal services were about \$0.6 million below estimated costs. Lower spending for personal services was mostly due to vacant positions. HB 2 positions had a vacancy rate of 18.8% in FY 2014 compared to a budgeted rate of 6%.

Funding

The following table shows proposed agency funding by source of authority as proposed. Funding for each program is discussed in detail in the individual program narratives that follow.

Total Department of Commerce Funding by Source of Authority 2017 Biennium Budget - Department of Commerce						
Funds	HB2	Non-Budgeted Proprietary	Statutory Appropriation	Total All Sources	% Total All Funds	
General Fund	17,356,942	0	4,750,000	22,106,942	8.83 %	
State Special Total	12,908,788	0	65,131,358	78,040,146	31.16 %	
Federal Special Total	36,396,593	0	1,288,079	37,684,672	15.05 %	
Proprietary Total	0	110,098,285	2,528,860	112,627,145	44.97 %	
Other Total	0	0	0	0	0.00 %	
Total All Funds	\$66,662,323	\$110,098,285	\$73,698,297	\$250,458,905		
Percent - Total All Sources	26.62 %	43.96 %	29.43 %			

Almost 75% of the overall funding for the Department of Commerce is not budgeted through HB 2 but provided as either non-budgeted proprietary funding or as statutory appropriations.

Within HB 2, the Governor proposes restoring several programs that were funded with one-time-only general fund appropriations by the 2013 Legislature. Per state statute, one-time-only appropriations are excluded from the base expenditures for biennial budget projections. The Governor proposes restoring the programs as listed below:

- Primary Business Sector Training - \$1.2 million for the 2017 biennium

- Tribal Economic Development – \$1.6 million for the 2017 biennium
- Native Language Preservation - \$1.5 million over the biennium

General fund also supports the Census and Economic Information Center, Regional Development Bureau, trade and international relations activities, Entrepreneur Development Program /NxLevel, and the Made in Montana program; and provides match for the federal Community Development Block Grant. \$2.5 million of general fund is statutorily appropriated for the Research and Commercialization Program. This appropriation is discussed as an issue in the program narrative for the Business Resources Division.

State special revenues support the Montana Promotion Division, the Microbusiness Loan Program, research and commercialization, the Treasure State Endowment Program, the Coal Board, the Hard Rock Mining Board, Distressed Wood Products Program, quality school project grants, the Big Sky Economic Development Program, and the Montana Heritage Commission. The Montana Heritage Commission is funded with \$400,000 in lodging use facility taxes received each year, a portion of light vehicle registrations, and revenues generated by Virginia City and Nevada City as well as Reeder's Alley. The funding supports 12.00 FTE and the costs of operating the historic properties.

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Growing Fund Balance in the Big Sky Economic Development Income Fund Indicates Expansion of Uses Could Be Considered

Statute requires that 25% of the coal severance tax available to the coal severance tax permanent trust be segregated into the big sky economic development trust fund. The purpose as defined in statute of the Big Sky Economic Development Program established by the legislature is to:

- Create good-paying jobs for Montana residents
- Promote long-term, stable economic growth in Montana
- Encourage local economic development organizations
- Create partnerships between state, local governments, tribal governments, and local economic development organizations that are interested in pursuing these same economic development goals
- Retain or expand existing businesses
- Provide a better life for future generations through greater economic growth and prosperity in Montana Legislature
- Encourage workforce development, including workforce training and job creation, in high-poverty counties by providing targeted assistance

The income from the big sky economic development trust is deposited into the big sky economic development income fund and is thus available for transfer to a state special revenue fund for use by the program within the Department of Commerce. Statute requires that the state special revenue funds be used for administrative expenses and grants. The flow of funds and resulting fund balances are shown in the figure below. Of the money not used for administrative expenses the funds are to be allocated:

- 75% for distribution to local governments and tribal governments to be used for job creation efforts
- 25% for distribution to certified regional development corporations, economic development organizations that are located in a county that is not part of a certified regional development corporation, and tribal governments

Department of Commerce Big Sky Economic Development Funds							
	FY 2008	FY 2009	FY 2010	FY 2011	FY 2012	FY 2013	FY 2014
Big Sky Economic Development Trust Fund - 09051							
Beginning Balance	\$29,122,282	\$34,773,763	\$41,050,989	\$46,791,809	\$53,544,336	\$60,422,774	\$67,845,658
Revenues	\$5,651,481	\$6,277,226	\$5,740,821	\$6,752,527	\$6,878,439	\$7,422,884	\$7,159,124
Transfers Out	\$0	\$0	\$0	\$0	\$0	\$0	(\$298,819)
Ending Balance	\$34,773,763	\$41,050,989	\$46,791,809	\$53,544,336	\$60,422,774	\$67,845,658	\$74,705,963
Big Sky Economic Development Trust Income Fund - 09052							
Beginning Balance	(\$1,087,754)	\$2,050,514	\$1,035,660	\$4,715,733	\$6,894,719	\$10,926,041	\$10,683,340
Revenue - Allocations							
Administrative Costs	\$113,976	\$124,096	\$132,927	\$121,188	\$140,373	\$187,869	293,464
Local Governments	1,301,376	1,138,538	3,710,359	2,293,348	3,368,212	652,072	2,927,254
CRD C	433,792	379,513	1,236,786	764,449	1,122,737	217,357	975,751
Total Revenues	\$1,849,144	\$1,642,147	\$5,080,073	\$3,178,986	\$4,631,322	\$1,057,299	\$4,196,469
Transfers Out	(\$1,289,124)	\$2,657,000	\$1,400,000	\$1,000,000	\$600,000	\$1,300,000	\$2,600,000
Ending Balance	\$2,050,514	\$1,035,660	\$4,715,733	\$6,894,719	\$10,926,041	\$10,683,340	\$12,279,808
Big Sky Economic Development State Special Revenue - 02771							
Beginning Balance	\$1,214,915	\$12,244	\$331,931	\$193,900	\$215,433	\$183,741	(\$9,908)
Transfers In	(\$1,289,124)	\$2,657,000	\$1,400,000	\$1,000,000	\$600,000	\$1,300,000	\$2,600,000
Expenditures							
Personal Services	\$80,911	\$92,789	\$96,271	\$90,138	\$100,617	\$139,592	\$222,328
Operating Expenses	33,065	31,307	36,656	31,050	39,756	48,277	71,136
Grants	(200,429)	2,213,217	1,405,104	857,279	491,319	1,305,780	1,791,199
Total Expenditures	(\$86,453)	\$2,337,313	\$1,538,031	\$978,467	\$631,692	\$1,493,649	\$2,084,663
Ending Balance	\$12,244	\$331,931	\$193,900	\$215,433	\$183,741	(\$9,908)	\$505,429
CDR - Certified Regional Development Corporation							

As shown, the fund balance in the big sky economic development income account within the trust fund has been increasing, from \$2.0 million in FY 2008 to \$12.3 million in FY 2014 or 515% in six years.

The growth appears to be occurring for two primary reasons:

- Demand for funding from local and tribal governments for job creation efforts or from certified regional development centers for planning grants, support for business improvement districts and central business district redevelopment, industrial development, community profiles, or matching funds for federal funds are lower than the amount of available revenues
- Delays between grant awards and requests for reimbursements indicating grant requirements are fulfilled.

The figure on the following page shows, since the inception of the program, the total funds available in the income fund, administrative costs, funds awarded for job creation efforts, funds awarded for certified regional corporations or planning grants, and the remaining funds that have not been utilized.

Department of Commerce Big Sky Economic Development Trust Income					
Fiscal Year	Income Available	Personal Services	Operating Expenses	Grant Funds Available	% of Total
Administration					
FY 2006	\$98,440	\$0	\$18,841	\$79,599	80.86%
FY 2007	1,566,706	64,626	24,865	1,477,215	94.29%
FY 2008	1,849,144	80,911	33,065	1,735,168	93.84%
FY 2009	1,642,147	92,789	31,307	1,518,051	92.44%
FY 2010	5,080,073	96,271	36,656	4,947,146	97.38%
FY 2011	3,178,986	90,138	31,050	3,057,798	96.19%
FY 2012	4,631,322	100,617	39,756	4,490,949	96.97%
FY 2013	1,057,299	139,592	48,277	869,430	82.23%
FY 2014	4,196,469	222,328	71,136	3,903,005	93.01%
FY 2015*	\$375,800	\$33,596	\$9,519	\$332,685	88.53%
	Annual Income	Jobs Awards	% of Annual Income	Remaining Annual Available	Total Available
75% to Local Governments					
FY 2006	\$59,699	\$0	0.00%	\$59,699	\$59,699
FY 2007	1,107,911	685,000	61.83%	422,911	482,610
FY 2008	1,301,376	1,022,500	78.57%	278,876	761,486
FY 2009	1,138,538	1,830,000	160.73%	(691,462)	70,025
FY 2010	3,710,360	839,000	22.61%	2,871,360	2,941,384
FY 2011	2,293,349	640,000	27.91%	1,653,349	4,594,733
FY 2012	3,368,212	910,000	27.02%	2,458,212	7,052,944
FY 2013	652,073	3,393,980	520.49%	(2,741,908)	4,311,037
FY 2014	2,927,254	2,162,155	73.86%	765,099	5,076,136
FY 2015*	\$249,514	\$112,500	45.09%	\$137,014	\$5,213,150
25% to Certified Regional Development Centers/ Planning Grants					
	Annual Income	Planning Grants	% of Annual Income	Remaining Annual Available	Total Available
FY 2006	\$19,900	\$0	0.00%	\$19,900	\$19,900
FY 2007	369,304	274,123	74.23%	95,181	115,081
FY 2008	433,792	364,615	84.05%	69,177	184,258
FY 2009	379,513	556,850	146.73%	(177,337)	6,921
FY 2010	1,236,787	459,675	37.17%	777,112	784,032
FY 2011	764,450	478,529	62.60%	285,921	1,069,953
FY 2012	1,122,737	921,925	82.11%	200,812	1,270,765
FY 2013	217,358	689,969	317.44%	(472,612)	798,153
FY 2014	975,751	603,551	61.86%	372,200	1,170,354
FY 2015*	\$83,171	\$240,442	289.09%	(\$157,271)	\$1,013,083

* FY 2015 through September 12, 2014

From the figure above one can ascertain that of the \$12.3 million in fund balance available in the income trust fund at the end of FY 2014:

- \$5.1 million is due to demand for job creation efforts below revenues available

- \$1.2 million is related to demand for funds from certified regional development corporations that administer programs for workforce training and job creation in high-poverty counties or planning grants that is below revenues available
- \$6.0 million has been awarded but the grantees have not yet fulfilled the grant requirements to allow them to receive the awarded funds

The availability of \$6.3 million in the income fund and the ongoing increase in the fund balance indicates that the funds are not being fully utilized. The legislature may wish to consider expanding the uses of the funds in statute for other purposes. For example, one of the statutory purposes of the Big Sky Economic Development Program is workforce training. Currently the Governor proposes to provide \$1.2 million of general fund for the 2017 biennium for primary business sector training administered by the Business Resources Division within Commerce. Expanding the uses of the revenues to job training efforts for primary business sector training could offset the general fund request while still maintaining the stated purpose of the funds.

Legislative option

Expand the statutorily allowed uses of the funds.

Federal special revenues include the community development block grant, small business development centers, the Montana Council on Developmentally Disabilities, and various programs for housing.

Proprietary

44.6% of the funding for the agency is non-budgeted proprietary funding. Proprietary funds are discussed in detail in the narrative sections of each program.

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	3,161,833	3,161,833	6,323,666	36.43 %	34,009,437	34,009,437	68,018,874	102.04 %
PL Adjustments	447,773	61,889	509,662	2.94 %	(5,649,308)	(6,230,857)	(11,880,165)	(17.82)%
New Proposals	5,261,740	5,261,874	10,523,614	60.63 %	5,261,740	5,261,874	10,523,614	15.79 %
Total Budget	\$8,871,346	\$8,485,596	\$17,356,942		\$33,621,869	\$33,040,454	\$66,662,323	