

Agency Budget Comparison

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

Agency Budget Comparison								
Budget Item	Base Fiscal 2012	Approp. Fiscal 2013	Budget Fiscal 2014	Budget Fiscal 2015	Biennium Fiscal 12-13	Biennium Fiscal 14-15	Biennium Change	Biennium % Change
FTE	52.00	52.00	49.00	49.00	52.00	49.00	(3.00)	(5.77%)
Estimated Impact of HB 2*			(2.13)	(2.13)		(2.13)	(2.13)	
Net Estimated FTE*			46.87	46.87		46.87	(5.13)	
Personal Services	2,934,154	3,330,923	3,335,321	3,334,984	6,265,077	6,670,305	405,228	6.47%
Operating Expenses	3,753,374	6,998,401	6,947,031	7,114,590	10,751,775	14,061,621	3,309,846	30.78%
Equipment & Intangible Assets	0	0	0	0	0	0	0	n/a
Grants	10,039,832	17,837,755	20,729,505	19,351,870	27,877,587	40,081,375	12,203,788	43.78%
Benefits & Claims	183,921	0	358,921	358,921	183,921	717,842	533,921	290.30%
Total Costs	\$16,911,281	\$28,167,079	\$31,370,778	\$30,160,365	\$45,078,360	\$61,531,143	\$16,452,783	36.50%
General Fund	3,166,889	3,204,433	6,461,219	5,460,749	6,371,322	11,921,968	5,550,646	87.12%
State Special	3,556,214	8,193,567	7,331,881	6,903,918	11,749,781	14,235,799	2,486,018	21.16%
Federal Special	10,188,178	16,769,079	17,577,678	17,795,698	26,957,257	35,373,376	8,416,119	31.22%
Total Funds	\$16,911,281	\$28,167,079	\$31,370,778	\$30,160,365	\$45,078,360	\$61,531,143	\$16,452,783	36.50%

*Estimated impact of HB 2 boilerplate language showing net FTE with reductions. See boilerplate language on the following pages.

Agency Description

Agency Mission: The Department of 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. The Department of Commerce will enhance and sustain a healthy economy so Montana businesses, communities, and people can prosper.

The Department is composed of nine major divisions as follows:

Business Resources Division

- Board of Research and Commercialization Technology
- State Tribal Economic Development Commission
- Regional Development Bureau
- Census and Economic Information Center
- Trade and International Relations Bureau
- Small Business Development Center Bureau

Montana Promotion Division

- Tourism Marketing and Promotion
- Film Marketing and Promotion
- Tourism Development and Education
- Industry Services and Operations

Energy Promotion & Development Division**Community Development Division**

- Community Development Block Grant Program
- Community Technical Assistance Program
- Treasure State Endowment Program
- Neighborhood Stabilization Program

- Coal Board
- Hard Rock Mining Impact Board

Montana Facility Finance Authority

Housing Division

- Board of Housing
- Housing Assistance Bureau

Board of Investments

Montana Heritage Commission

Director’s Office

- Offices of Accounting and Budget, Legal Affairs, Human Resources, Information Technology, and Public Information
- Quality Schools Program
- Montana Council on Developmental Disabilities

The Department of Commerce encompasses a number of programs that provide grant administration, federal program administration, state initiatives, and investment services in order to diversify and expand the state’s economic base through business creation, expansion, and retention and improvement of infrastructure, housing, and facilities.

Agency Highlights

Department of Commerce Major Budget Highlights
<ul style="list-style-type: none"> ◆ The overall budget increases 36.5% or \$16.5 million, including \$5.6 million in general fund. Increased general fund is primarily due to the net of three factors: <ul style="list-style-type: none"> ● A new Native Language Preservation Program ● Continued funding of economic development programs that had been funded as one-time-only in previous biennia ● Elimination in this agency of the Energy and Promotion Development Division (a portion was transferred to the Governor’s Office) ◆ Federal grant funding increases \$8.4 million including: <ul style="list-style-type: none"> ● Community Development Block Grants ● Emergency Home Loan Program ● Home grants ● Board of Housing Foreclosure Mitigation

Summary of Legislative Action

The department receives an overall increase of \$16.5 million in the 2015 biennium when compared to the 2013 biennium. \$2.8 million of the increase in general fund is due to continued funding of programs that have been funded as one-time-only for several biennia. These are not included in the base budget, but are included in appropriation authority for the next biennium. Another \$2.0 million of the increase is for a one-time-only appropriation for the Native Language Preservation Program.

The Energy Promotion and Development Division is not funded, resulting in general fund reduction of \$1.0 million. The legislature did provide funding for personal services supporting 2.0 FTE and associated operating expenses to the Office of Economic Development in the Governor's Office. The purpose of the funding was to provide resources for economic development of energy resources within the Governor's Office.

The Main Street Program is not funded, resulting in general fund savings of \$0.3 million. Because this program had been previously funded as one-time-only neither the funding nor the associated 1.0 FTE appear in the 2013 biennium figure in the main table on the previous page.

The personal services budget for the 2015 biennium increases due to:

- An overall vacancy savings rate of 5.66% compared to a budgeted 4% vacancy rate
- Annualization of broadband pay increases that were granted throughout FY 2012

Operating expenses increases include \$3.5 million in additional support for loans made through the various programs in the Business Resource Division. Grants increase between biennia in part due to reinstatement of Indian Country Economic Development Program and the Primary Business Sector Training Program.

Committee Bills Recommended by the Joint Appropriations Subcommittee on General Government

The Joint Appropriation Subcommittee on General Government requested and the legislature approved two committee bills related to the Department of Commerce:

- HB 15 School Facilities and Technology Account – the legislature amended HB 15 to include prioritization of the distributions made from the account to ensure that debt service support for school construction projects and statutory appropriations for the technology fund are paid for first if funding from the account is not sufficient for all projected uses. The Governor line item vetoed the changes, referring to the changes as “riders”. As of this writing a veto override poll has been sent to legislators.
- SB 236 Coal severance tax allocations to the Coal Board – the legislature approved continuing the coal severance tax allocation at 5.8% rather than reduce it to 2.9% after September 2013. The Governor vetoed the bill, and as of this writing a poll is being conducted to determine if the legislature will override the Governor's veto.

Boilerplate

The boilerplate section in HB 2 includes the following language:

“It is the intent of the legislature that the appropriations for personal services contained in this bill for fiscal year 2014 and fiscal year 2015, except for the reductions contained in decision packages that remove an additional vacancy savings amount, are supported by only the number of FTE that are funded. It is the intent of the legislature that this net level of FTE is the level that will be used to calculate personal services funding in the next biennium.”

The LFD has calculated that this intent language would reduce the current biennium base FTE by 440 statewide and by 2.13 for this agency. The lower level of FTE will be the starting point or base the legislature will use for personal services budget deliberations in the 2017 biennium.

Funding

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

Total Department Of Commerce Funding by Source of Authority 2015 Biennium Budget					
Funds	HB 2	Non- Budgeted Proprietary	Statutory Appropriation	Total All Sources	% Total All Funds
General Fund	\$11,921,968	\$0	\$9,499,862	\$21,421,830	8.4%
State Special Total	14,235,799	-	65,111,667	79,347,466	31.3%
Federal Special Total	35,373,376	-	2,140,402	37,513,778	14.8%
Proprietary Total	-	112,311,794	2,939,462	115,251,256	45.5%
Current Unrestricted	-	-	-	-	0.0%
Other Total	-	-	-	-	0.0%
Total All Funds	<u>\$61,531,143</u>	<u>\$112,311,794</u>	<u>\$79,691,393</u>	<u>\$253,534,330</u>	
Percent - Total All Sources	24.3%	44.3%	31.4%		

More than 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 a statutory appropriation. Within HB 2, the legislature restored two programs that were funded with one-time-only general fund appropriations by the 2011 Legislature. Per state statute, one-time-only appropriations are excluded from the base expenditures for biennial budget projections. The legislature restored the programs as listed below but maintained them as one-time-only appropriations:

- Primary Business Sector Training - \$2.8 million for the 2015 biennium with \$1.2 million general fund and \$1.6 million state special revenue funds
- Tribal Economic Development - \$1.6 million general fund for the 2015 biennium

General fund also supports the Census and Economic Information Center, Regional Development Bureau, trade and international relations activities, Entrepreneur Development Program /NxLevel, Native Language Preservation Program, and the Made in Montana program; and provides match for the federal Community Development Block Grant. \$9.5 million of general fund is transferred to the Research and Commercialization Program and statutorily appropriated as state special revenue.

State special revenues provided in HB 2 support the Primary Business Sector Training Program, the Microbusiness Loan Program, the Coal Board, the Hard Rock Mining Board, and quality school project administrative costs. Statutory appropriations support the Montana Promotion Division, research and commercialization, the Treasure State Endowment Program, the Distressed Wood Products Program, the quality school project grants and the Montana Heritage Commission. The Montana Heritage Commission is funded with several statutory appropriations including \$400,000 in lodging use facility taxes received each year, a portion of light vehicle registrations, and revenues generated by Virginia and Nevada cities as well as Reeder's Alley. The funding supports 12.00 FTE and the operational costs of operating the historic properties.

Federal special revenues include the Community Development Block Grant, Small Business Development Centers, and various programs for housing.

A significant portion 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 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	3,166,889	3,166,889	6,333,778	53.13%	16,911,281	16,911,281	33,822,562	54.97%
Statewide PL Adjustments	362,802	358,993	721,795	6.05%	738,472	685,937	1,424,409	2.31%
Other PL Adjustments	5,969	10,185	16,154	0.14%	9,658,066	9,501,583	19,159,649	31.14%
New Proposals	2,925,559	1,924,682	4,850,241	40.68%	4,062,959	3,061,564	7,124,523	11.58%
Total Budget	\$6,461,219	\$5,460,749	\$11,921,968		\$31,370,778	\$30,160,365	\$61,531,143	

The majority of the changes in the budget were contained in other present law adjustments including cost adjustments for grant administration and federal grants to other entities. New proposals include funding of Indian County Economic Development Grants, primary business sector training, biomedical research grants, and matching funding for the Montana Small Business Innovation Research Program and the Small Business Technology Program.

Other Legislation

HB 11 – This bill appropriates \$33.98 million in funding over the biennium to support the Treasure State Endowment Program (TSEP). TSEP provides funding for local government infrastructure projects.

HB 13 – The legislature approved funding for a pay plan for state employees. The bill includes a lump sum appropriation for pay raises that will be determined for their respective employees by the executive, legislative, and judicial branches as well as the Montana University System. The bill also includes funding for a 10% insurance increase for all employees each year. The legislature did not specify a particular percentage salary increase a state employee should receive, but stipulated that the appropriated funds must be used to increase the base pay of each employee, with particular attention to the lower pay bands and employees who did not receive an increase in the 2013 biennium.

HB 218 – This bill authorized the Department of Commerce to issue grants to assist local governments with infrastructure and other needs as a result of oil and gas impacts. The grants are supported through the establishment and appropriation of oil and gas impact account using general fund and federal mineral leasing revenues as the funding source. The Governor vetoed the bill, and as of this writing a poll is being conducted to determine if the legislature will override the Governor's veto.

SB 136 – This bill increases the amount of fund available from the permanent coal tax trust fund for the Montana Veterans' Home Loan Mortgage Program by an additional \$15 million. The Board of Housing administers the loan program.

SB 410 – This bill includes a one-time-only biennial appropriation of \$7.5 million general fund to the Governor's Office. The funding can be transferred at the Governor's discretion in the 2015 biennium to the following departments for operations costs:

- Governor's Office
- Public Health and Human Services
- Natural Resources and Conservation
- Environmental Quality
- Administration
- Commerce
- Revenue
- Corrections
- Labor and Industry

Any funds transferred are one-time-only and consequently will not be part of the FY 2014 budget base.

Executive Budget Comparison

The following table compares the legislative budget in the 2015 biennium to the budget requested by the Governor, by type of expenditure and source of funding.

Executive Budget Comparison								
Budget Item	Base Budget Fiscal 2012	Executive Budget Fiscal 2014	Legislative Budget Fiscal 2014	Leg - Exec. Difference Fiscal 2014	Executive Budget Fiscal 2015	Legislative Budget Fiscal 2015	Leg - Exec. Difference Fiscal 2015	Biennium Difference Fiscal 14-15
FTE	52.00	56.50	49.00	(7.50)	56.50	49.00	(7.50)	
Estimated Impact of HB 2*			(2.13)	(2.13)		(2.13)	(2.13)	
Net Estimated FTE*			46.87	(9.63)		46.87	(9.63)	
Personal Services	2,934,154	3,906,085	3,335,321	(570,764)	3,906,222	3,334,984	(571,238)	(1,142,002)
Operating Expenses	3,753,374	7,059,324	6,947,031	(112,293)	7,227,876	7,114,590	(113,286)	(225,579)
Equipment & Intangible Assets	0	0	0	0	0	0	0	0
Grants	10,039,832	19,304,505	20,729,505	1,425,000	17,926,870	19,351,870	1,425,000	2,850,000
Benefits & Claims	183,921	358,921	358,921	0	358,921	358,921	0	0
Total Costs	\$16,911,281	\$30,628,835	\$31,370,778	\$741,943	\$29,419,889	\$30,160,365	\$740,476	\$1,482,419
General Fund	3,166,889	6,859,281	6,461,219	(398,062)	5,859,717	5,460,749	(398,968)	(797,030)
State/Other Special	3,556,214	6,162,775	7,331,881	1,169,106	5,735,329	6,903,918	1,168,589	2,337,695
Federal Special	10,188,178	17,606,779	17,577,678	(29,101)	17,824,843	17,795,698	(29,145)	(58,246)
Total Funds	\$16,911,281	\$30,628,835	\$31,370,778	\$741,943	\$29,419,889	\$30,160,365	\$740,476	\$1,482,419

*Estimated impact of HB 2 boilerplate language showing net FTE with reductions. See boilerplate language on the previous pages.

The legislature made the following adjustments that differed from the executive request:

- o Increased funding for the primary business sector training program by \$0.4 million each year of the biennium and provided \$0.6 million in general fund and \$0.8 million from the Employment Security Account in the state special revenue fund to support the program
- o Provided \$0.1 million over the biennium to support the Montana Manufacturing Extension Center at MSU-Bozeman
- o Provided \$2.0 million over the biennium to support the Native Language Preservation Program, which will be administered by the State-Tribal Economic Development Commission
- o Eliminated funding for the Energy Promotion and Development Division. General fund of \$0.5 million each year of the biennium provided for personal services supporting 5.00 FTE and operating expenses of the program
- o Did not provide \$0.3 million in general fund for the Main Street Program as proposed by the executive
- o Switched funding for the administrative costs of the Quality Schools Program from general fund to the School Facility and Technology Account
- o Required an additional vacancy savings of 2% applied to HB 2 positions

Language and Statutory Authority

The legislature included the following language in HB 2.

"Business Resources Division includes a reduction in general fund of \$23,145 in fiscal year 2014 and \$23,155 in fiscal year 2015, state special revenue of \$14,536 in fiscal year 2014 and \$14,503 in fiscal year 2015, and federal special revenue of \$30,866 in fiscal year 2014 and \$30,883 in FY 2015. The reduction is the equivalent of an additional 2% vacancy savings. The agency may allocate this reduction in funding among programs when developing 2015 biennium operating plans."