

Program Budget Comparison

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

Program Budget Comparison								
Budget Item	Base Fiscal 2014	Approp. Fiscal 2015	Legislative Budget 2016	Legislative Budget 2017	Biennium Fiscal 14-15	Biennium Fiscal 16-17	Biennium Change	Biennium % Change
FTE	21.84	21.84	24.34	24.34	21.84	24.34	2.50	11.45 %
Personal Services	1,547,886	1,679,604	2,086,223	2,097,866	3,227,490	4,184,089	956,599	29.64 %
Operating Expenses	2,069,032	4,534,472	3,610,301	3,613,784	6,603,504	7,224,085	620,581	9.40 %
Grants	2,318,767	4,688,041	5,840,509	5,821,694	7,006,808	11,662,203	4,655,395	66.44 %
Transfers	0	0	0	0	0	0	0	0.00 %
Total Costs	\$5,935,685	\$10,902,117	\$11,537,033	\$11,533,344	\$16,837,802	\$23,070,377	\$6,232,575	37.02 %
General Fund	2,735,505	3,738,352	5,018,061	5,019,616	6,473,857	10,037,677	3,563,820	55.05 %
State/Other Special Rev. Funds	651,289	2,989,365	2,291,572	2,290,490	3,640,654	4,582,062	941,408	25.86 %
Federal Spec. Rev. Funds	2,548,891	4,174,400	4,227,400	4,223,238	6,723,291	8,450,638	1,727,347	25.69 %
Total Funds	\$5,935,685	\$10,902,117	\$11,537,033	\$11,533,344	\$16,837,802	\$23,070,377	\$6,232,575	37.02 %

Program Description

The Business Resources Division is comprised of programs aimed at improving and diversifying Montana’s economy. The division works closely with the private sector, local communities, economic development organizations, and state and federal government agencies to improve the economy of Montana through business creation, expansion, retention, and recruitment efforts.

Program Highlights

Business Resources Division Major Budget Highlights
<ul style="list-style-type: none"> • General fund increases mainly due to: <ul style="list-style-type: none"> ◦ Enhancement of existing economic development programs - \$275,000 over the biennium ◦ Continuation of economic development programs that were designated as one-time-only ◦ Continuation of Native American language preservation designated as one-time-only • State special revenue increases due to funding for the implementation of SB 163

Program Narrative

The Business Resources Division personal services increase when compared to 2015 biennium. In addition to increases that result from the implementation of pay raises and health insurance contributions included in HB 13 enacted by the 2013 Legislature, other changes include:

- Employee attainment of longevity milestones in the 2017 biennium
- Reclassification of 2 positions between biennia
- Changes in employer retirement contributions
- Approval of 2.50 FTE and related personal services funding for the Indian Country Economic Development Program and the Primary Business Sector Training Program
- Additional personal services funding for the implementation of SB 163

When compared to the 2015 biennium budget operating expenses increase, the majority of the increase is related to continuation of programs designated as one-time-only in the previous biennium.

Increases in grants are also related to the continuation of the programs that were previously designated as one-time-only.

General fund for the program increases significantly due to approval of:

- Economic development funding for tribal businesses - \$0.6 million annually
- Primary business sector grants for new and existing Montana businesses to train new employees - \$0.8 million annually
- Economic development to enhance current programs within Commerce - \$0.137 million annually
- Native American language preservation - \$0.75 million annually
- Montana manufacturing extension service - \$0.1 million annually

Funding

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

Department of Commerce, 51-Business Resources Division Funding by Source of Authority					
Funds	HB2	Non-Budgeted Proprietary	Statutory Appropriation	Total All Sources	% Total All Funds
01100 General Fund	10,037,677	0	4,750,000	14,787,677	20.88 %
02090 Business Asst-Private	177,150	0	0	177,150	0.37 %
02094 DISTRESSED WOOD MATCH	0	0	24,030	24,030	0.05 %
02100 DISTRESSED WOOD STATE	0	0	185,970	185,970	0.39 %
02116 Accommodation Tax Account	0	0	35,149,000	35,149,000	73.99 %
02210 Microbusiness Admin Acct	262,602	0	0	262,602	0.55 %
02212 Microbusiness Loan Acct	1,072,210	0	0	1,072,210	2.26 %
02249 Governor's Office Operations Fund	0	0	0	0	0.00 %
02258 Employment Security Account	2,560,000	0	0	2,560,000	5.39 %
02271 L&C Bicentennial Plate Fund	0	0	0	0	0.00 %
02444 BEAR Program	0	0	0	0	0.00 %
02557 Research & Commercialization	0	0	2,562,000	2,562,000	5.39 %
02563 Nat'l Dev. Cncl Training Funds	90	0	0	90	0.00 %
02671 Trade Growth thru AG	0	0	0	0	0.00 %
02771 Economic Development Trust Fund	500,000	0	5,000,000	5,500,000	11.58 %
02848 SBDC PRIVATE REVENUE NONFED	10,010	0	0	10,010	0.02 %
State Special Total	\$4,582,062	\$0	\$42,921,000	\$47,503,062	67.06 %
03059 Community Development Block	5,315,627	0	0	5,315,627	62.20 %
03061 EDA Revolving Loan Fund	948,231	0	0	948,231	11.10 %
03092 Distressed Woods Federal	0	0	95,000	95,000	1.11 %
03180 SBA JOBS Grant	0	0	0	0	0.00 %
03207 Small Business Dev. Centers	1,519,108	0	0	1,519,108	17.78 %
03233 INSTEP/EPSCoR Funds	50,014	0	0	50,014	0.59 %
03286 SSBCI Treasury Grant	0	0	0	0	0.00 %
03331 OIT STEP	0	0	0	0	0.00 %
03397 STATE BROADBAND DATA & DEV	0	0	0	0	0.00 %
03405 FY09 NPS Project Grant	0	0	0	0	0.00 %
03671 SBA FAST Grant	0	0	0	0	0.00 %
03932 CDBG RLF	617,658	0	0	617,658	7.23 %
Federal Special Total	\$8,450,638	\$0	\$95,000	\$8,545,638	12.06 %
Proprietary Total	\$0	\$0	\$0	\$0	0.00 %
Total All Funds	\$23,070,377	\$0	\$47,766,000	\$70,836,377	

HB 2 Funding

General fund supports a number of functions including technology 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 continued funding for economic development programs that had been designated as one-time-only in the previous biennia.

State special revenues include authority for loans made through Small Business Development Centers to microbusiness development centers. The legislature reduced appropriations for the loans to match appropriations with the actual amount of loans made within the program over the last few biennia.

Federal special revenues are mainly comprised of federal funding for community development block grants and small business development centers.

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 providing the authority for the program. 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.

Federal funds are used for the distressed wood products industry.

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	2,413,352	2,413,352	4,826,704	48.09 %	8,777,117	8,777,117	17,554,234	76.09 %
PL Adjustments	217,209	218,764	435,973	4.34 %	292,416	288,727	581,143	2.52 %
New Proposals	2,387,500	2,387,500	4,775,000	47.57 %	2,467,500	2,467,500	4,935,000	21.39 %
Total Budget	\$5,018,061	\$5,019,616	\$10,037,677		\$11,537,033	\$11,533,344	\$23,070,377	

Present law adjustments for the program include:

- Changes for fixed costs and inflation/deflation
- Personal services increases for annualization of the state share contribution to employee insurance and elimination of the 4% vacancy savings reduction
- Approval of the transfer of 2.00 FTE and related personal services and operating costs from the Governor's Office to the Business Resources Division

New proposals make up the majority of the changes adopted by the legislature for the Business Resources Division. In two cases, the Primary Business Sector Training Program and the Indian Economic Development Program, the funding is for programs that were established in the 2007 biennium with one-time-only funding. The legislature continued to fund the two programs as one-time-only for each succeeding biennium. The 2015 Legislature provided funding as requested but again designated the funds as one-time-only.

The legislature also provided one-time-only funding for:

- Enhanced economic development activities in conjunction with ongoing Commerce programs - \$275,000 over the biennium

- Native American language preservation funding, a continuation of a program begun in FY 2014 - \$1.50 million over the biennium
- Gap financing for Indian tribes within Montana - \$0.50 million over the biennium
- Additional support for the Montana Manufacturing Extension Service - \$200,000 over the biennium

Present Law Adjustments

The “Present Law Adjustments” table shows the adopted changes from the FY 2015 legislative appropriation. Each is discussed in the narrative that follows.

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 510 - Legislative Audit - HB 2 2014 Fixed Costs (Restricted/Biennia	0.00	3,448	1,150	3,066	7,664	0.00	0	0	0	0
DP 515 - State Share Health Insurance	0.00	4,780	1,138	4,453	10,371	0.00	4,780	1,138	4,453	10,371
DP 520 - Fully Fund 2015 Legislatively Authorized FTE	0.00	17,562	14,503	30,883	62,948	0.00	17,562	14,503	30,883	62,948
DP 525 - Fixed Costs Adjustment	0.00	6,059	3,787	9,088	18,934	0.00	5,981	3,738	8,972	18,691
DP 526 - 2017 Biennium Legislative Audit (Restricted /Biennial)	0.00	895	(117)	980	1,758	0.00	0	0	0	0
DP 527 - Inflation Deflation Adjustment	0.00	(2,172)	0	0	(2,172)	0.00	(2,016)	0	0	(2,016)
DP 529 - Longevity and Other adjustments	0.00	(10,083)	0	0	(10,083)	0.00	(4,255)	0	0	(4,255)
DP 531 - SITSD Rate Adjustment	0.00	3,732	3,180	8,251	15,163	0.00	3,732	3,180	8,251	15,163
DP 532 - General Liability Insurance Rate Adjustment	0.00	(1,683)	(1,434)	(3,721)	(6,838)	0.00	(1,683)	(1,434)	(3,721)	(6,838)
DP 550 - Motor Pool Adjustment	0.00	(541)	0	0	(541)	0.00	(549)	0	0	(549)
DP 5100200 - FTE Transferred from Governor's Office	0.00	130,137	0	0	130,137	0.00	130,137	0	0	130,137
DP 5100220 - Montana SBIR/STTR Program (Restricted/Biennial)	0.00	0	0	0	0	0.00	0	0	0	0
DP 5100230 - Operating transferred from the Governor's Off	0.00	65,075	0	0	65,075	0.00	65,075	0	0	65,075
DP 5100444 - Statewide 4% FTE Reduction - Program 51	(0.50)	0	0	0	0	(0.50)	0	0	0	0
Grand Total All Present Law Adjustments	(0.50)	\$217,209	\$22,207	\$53,000	\$292,416	(0.50)	\$218,764	\$21,125	\$48,838	\$288,727

**Total Funds” amount includes funding from sources other than General Fund, State Special, or Federal Special (i.e. Proprietary).

DP 510 - Legislative Audit - HB 2 2014 Fixed Costs (Restricted/Biennia -

The legislature provided a restricted biennial appropriation for the legislative audit costs. The funding is established at the level of the 2015 biennial appropriation contained in HB 2 as enacted by the 2013 Legislature.

DP 515 - State Share Health Insurance -

The legislature provided appropriation authority for the state share of health insurance, as adopted by the 2013 Legislature.

DP 520 - Fully Fund 2015 Legislatively Authorized FTE -

The legislature provided appropriation authority to restore personal services funding to create a vacancy savings rate of zero.

DP 525 - Fixed Costs Adjustment -

The legislature adopted proprietary rates for fixed costs charged to state agencies for services such as information technology or rent and grounds maintenance within the capitol complex. Rates for messenger services, legislative audit, grounds maintenance, records management, agency legal costs, and the statewide cost allocation plan were adopted as proposed by the executive. The legislature lowered proprietary rates for warrant writer, payroll services, SABHRS, SITSD fees, and rent. The legislature increased insurance premiums to provide for increased costs of claims and to establish a reserve for the insurance fund.

DP 526 - 2017 Biennium Legislative Audit (Restricted /Biennial) -

The legislature adjusted legislative audit costs and funding based on the current estimate of the Legislative Auditor.

DP 527 - Inflation Deflation Adjustment -

The legislature adopted inflation/deflation factors for budgeted expenditures such as food or electricity. The legislature concurred with the executive on the factors with the exception of gasoline, aviation gasoline, diesel fuel, and jet fuel. For these factors the legislature further deflated costs to align the budget with more current information on declining prices of oil and gas projected to continue into the 2017 biennium.

DP 529 - Longevity and Other adjustments -

The legislature adopted personal service adjustments for unemployment insurance, workers compensation rates, longevity, retirement, and health benefits.

DP 531 - SITSD Rate Adjustment -

The legislature approved an increase for fixed cost rates included in state agency budgets for information technology services provided by the State Information Technology Services Division (SITSD).

DP 532 - General Liability Insurance Rate Adjustment -

The legislature reduced the rate assessed to state agencies for general liability insurance provided by the Risk Management and Tort Defense Division.

DP 550 - Motor Pool Adjustment -

The legislature adopted a reduction to the motor pool rates.

DP 5100200 - FTE Transferred from Governor's Office -

The legislature approved the transfer of 2.00 FTE and related general fund from the Governor's Office of Economic Development to the Business Resources Division.

DP 5100220 - Montana SBIR/STTR Program (Restricted/Biennial) -

The legislature provided a restricted biennial appropriation to provide matching funds for Montana businesses that qualify for direct federal grants under the Small Business Innovation Research/Small Business Technology Transfers (SBIR/STTR) Program. This adjustment creates the line item creating the restricted biennial appropriation.

DP 5100230 - Operating transferred from the Governor's Off -

The legislature approved the transfer of general fund from the Governor's Office to the Business Resources Division for operating expenses tied to the positions transferred from the Office of Economic Development.

DP 5100444 - Statewide 4% FTE Reduction - Program 51 -

The 2015 biennium budget included a 4% vacancy savings reduction. Language included in the boilerplate of HB 2 passed by the 2013 Legislature, indicated legislative intent that the 4% vacancy savings be made permanent as an FTE reduction for the 2017 biennium. Change package PL-5100444 includes a reduction of 0.50 FTE each year.

New Proposals

The "New Proposals" table shows the adopted changes from the FY 2015 legislative appropriation. Each is discussed in the narrative that follows.

New Proposals	-----Fiscal 2016-----					-----Fiscal 2017-----				
	FTE	General Fund	State Special	Federal Special	Total Funds	FTE	General Fund	State Special	Federal Special	Total Funds
DP 560 - Primary Sector Business Training (Biennial)	0.00	0	1,280,000	0	1,280,000	0.00	0	1,280,000	0	1,280,000
DP 5100210 - Microbusiness loans - appropriation to actuals	0.00	0	(1,450,000)	0	(1,450,000)	0.00	0	(1,450,000)	0	(1,450,000)
DP 5100240 - Montana Manufacturing Extension Service (Restricted)	0.00	100,000	0	0	100,000	0.00	100,000	0	0	100,000
DP 5100250 - Gap Financing Program (Biennial/OTO)	0.00	0	250,000	0	250,000	0.00	0	250,000	0	250,000
DP 5105101 - Primary Business Sector Training (Restricted/OTO)	2.00	600,000	0	0	600,000	2.00	600,000	0	0	600,000
DP 5105102 - Indian Country Economic Development (Restricted/OTO)	1.00	800,000	0	0	800,000	1.00	800,000	0	0	800,000
DP 5105106 - Enhance Economic Development in Montana (RST/BIEN/OTO)	0.00	137,500	0	0	137,500	0.00	137,500	0	0	137,500
DP 5105107 - Native Language Preservation (Restricted/Biennial/OTO)	0.00	750,000	0	0	750,000	0.00	750,000	0	0	750,000
Total	3.00	\$2,387,500	\$80,000	\$0	\$2,467,500	3.00	\$2,387,500	\$80,000	\$0	\$2,467,500

**Total Funds" amount includes funding from sources other than General Fund, State Special, or Federal Special (i.e. Proprietary).

DP 560 - Primary Sector Business Training (Biennial) -

The legislature provided \$1.28 million each year of the biennium to implement the provisions of SB 163. SB 163 revises economic development laws by creating a primary business sector training account within the state special revenue fund. Each year the general fund appropriated for the program is required to be transferred to the account. The bill is effective upon passage and approval but has a retroactive applicability clause for all workforce training grants awarded on or after July 1, 2011. As a result, the program will transfer \$1.4 million in funding to the state special revenue account that was not awarded as grantees were unable to fulfill the grant requirements.

DP 5100210 - Microbusiness loans - appropriation to actuals -

The legislature reduced state special revenue funding for microbusiness loans to the highest level of spending by the program in the last two biennia. The legislature provided trigger language allowing additional appropriation authority if the funding in the account exceeds \$550,000 in either year of the 2017 biennium.

DP 5100240 - Montana Manufacturing Extension Service (Restricted) -

The legislature provided \$100,000 in general fund each year of the biennium restricted by language in HB 2 to fund additional engineering consulting services for the Montana Manufacturing Extension Service.

DP 5100250 - Gap Financing Program (Biennial/OTO) -

The legislature provided \$250,000 in state special revenue from the big sky economic development trust income account to allow for gap financing for Indian tribes in Montana.

DP 5105101 - Primary Business Sector Training (Restricted/OTO) -

The legislature provided support for the Primary Sector Workforce 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 applications and allocates funding through the Department of Commerce. The \$0.6 million in general fund each year of the biennium are designated as one-time-only and restricted.

DP 5105102 - Indian Country Economic Development (Restricted/OTO) -

The legislature provided a one-time-only restricted appropriation of \$0.8 million general fund each year of the biennium to support the Indian Country Economic Development (ICED) Program. The program: 1) provides technical assistance and financial resources to existing tribal businesses to help them expand operations and facilities and train and employ new workers; 2) assists in the development of start-up tribal businesses; and 3) delivers business skills training to the growing numbers of Indian entrepreneurs and helps Native American businesses access capital.

DP 5105106 - Enhance Economic Development in Montana (RST/BIEN/OTO) -

The legislature provided \$275,000 in general fund as a restricted, biennial, and one-time-only appropriation to enhance economic development programs within Commerce. The Small Business Development Centers are to receive \$15,625 each year, Small Business Innovation Research receives \$6,250 each year, the Montana Manufacturing Extension Center receives \$25,000 each year, the Export Trade Enhancement receives \$37,500 each year, and the Certified Regional Development Corporations receive \$53,125 each year.

DP 5105107 - Native Language Preservation (Restricted/Biennial/OTO) -

The legislature provided an additional \$1.5 million in one-time-only general fund to continue the Native Language Preservation Program. The program documents and preserves the Native American languages of the various tribes in Montana. Speakers fluent in the Native American languages will be recorded, and written materials will be developed to allow younger generations of the various tribes, as well as others, to develop language skills for the various Native American languages.