

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%)
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	19,729,505	18,351,870	27,877,587	38,081,375	10,203,788	36.60%
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	\$30,370,778	\$29,160,365	\$45,078,360	\$59,531,143	\$14,452,783	32.06%
General Fund	3,166,889	3,204,433	5,461,219	4,460,749	6,371,322	9,921,968	3,550,646	55.73%
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	\$30,370,778	\$29,160,365	\$45,078,360	\$59,531,143	\$14,452,783	32.06%

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Legislative Budget Analysis, A-189

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)	
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	19,729,505	425,000	17,926,870	18,351,870	425,000	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	\$30,370,778	(\$258,057)	\$29,419,889	\$29,160,365	(\$259,524)	(\$517,581)
General Fund	3,166,889	6,859,281	5,461,219	(1,398,062)	5,859,717	4,460,749	(1,398,968)	(2,797,030)
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	\$30,370,778	(\$258,057)	\$29,419,889	\$29,160,365	(\$259,524)	(\$517,581)

The legislature:

- Increased general fund 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
- Provided \$0.1 million over the biennium to support the Montana Manufacturing Extension Center at MSU-Bozeman
- 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
- Did not provide \$0.3 million in general fund for the Main Street Program as proposed by the executive

- Switched funding for the administrative costs of the Quality Schools Program from general fund to the School Facility and Technology Account
- Required an additional vacancy savings of 2% applied to HB 2 positions

Agency Highlights

Department of Commerce Major Budget Highlights
<ul style="list-style-type: none"> ◆ The overall budget increases 32.1%, or \$14.45 million including \$3.55 million in general fund. Increased general fund is primarily due to continued funding of programs that had been funded as one-time-only in previous biennia: <ul style="list-style-type: none"> ● Indian county economic development ● Primary business sector training ◆ 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

Agency Discussion

The department receives an overall increase of \$14.5 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.

The Energy Promotion and Development Division is not funded, resulting in general fund savings 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' 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.

Committee Bills Recommended by the Joint Appropriations Subcommittee on General Government

The Joint Appropriation Subcommittee on General Government requested three committee bills related to the Department of Commerce:

- School Facilities and Technology Account – the subcommittee requested legislation that would prioritize 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. This request was amended into HB 15
- SB 236 Coal severance tax allocations to the Coal Board - the subcommittee requested legislation that would continue the coal severance tax allocation at 5.8% rather than reduce it to 2.9% after September 2013
- HB 579 Military economic impact task force – the subcommittee requested an appropriation bill to establish a military economic task force. The task force would examine retention and development of military installations and force structures to provide economic development within Montana

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.

Funds	HB 2	Non-Budgeted Proprietary	Statutory Appropriation	Total All Sources	% Total All Funds
General Fund	\$9,921,968	\$0	\$9,499,862	\$19,421,830	7.7%
State Special Total	14,235,799	-	65,111,667	79,347,466	31.5%
Federal Special Total	35,373,376	-	2,140,402	37,513,778	14.9%
Proprietary Total	-	112,311,794	2,939,462	115,251,256	45.8%
Current Unrestricted	-	-	-	-	0.0%
Other Total	-	-	-	-	0.0%
Total All Funds	\$59,531,143	\$112,311,794	\$79,691,393	\$251,534,330	
Percent - Total All Sources	23.7%	44.7%	31.7%		

More than 76% 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:

- Primary Business Sector Training – OTO - \$2.8 million for the 2015 biennium with \$1.2 million general fund and \$1.6 million state special revenue funds
- Tribal Economic Development – OTO - \$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, 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	63.84%	16,911,281	16,911,281	33,822,562	56.81%
Statewide PL Adjustments	362,802	358,993	721,795	7.27%	738,472	685,937	1,424,409	2.39%
Other PL Adjustments	5,969	10,185	16,154	0.16%	9,658,066	9,501,583	19,159,649	32.18%
New Proposals	1,925,559	924,682	2,850,241	28.73%	3,062,959	2,061,564	5,124,523	8.61%
Total Budget	\$5,461,219	\$4,460,749	\$9,921,968		\$30,370,778	\$29,160,365	\$59,531,143	

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.

Language and Statutory Authority

The legislature proposes the following language for inclusion 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."

Program Budget Comparison

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

Program 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	20.84	20.84	22.84	22.84	20.84	22.84	2.00	9.60%
Personal Services	1,174,751	1,438,014	1,559,390	1,559,988	2,612,765	3,119,378	506,613	19.39%
Operating Expenses	2,417,014	4,333,439	4,331,822	4,544,472	6,750,453	8,876,294	2,125,841	31.49%
Equipment & Intangible Assets	0	0	0	0	0	0	0	n/a
Grants	941,092	3,348,507	5,779,625	4,779,951	4,289,599	10,559,576	6,269,977	146.17%
Total Costs	\$4,532,857	\$9,119,960	\$11,670,837	\$10,884,411	\$13,652,817	\$22,555,248	\$8,902,431	65.21%
General Fund	1,844,043	1,861,084	4,758,968	3,758,880	3,705,127	8,517,848	4,812,721	129.89%
State Special	1,064,998	2,204,807	2,983,248	2,982,853	3,269,805	5,966,101	2,696,296	82.46%
Federal Special	1,623,816	5,054,069	3,928,621	4,142,678	6,677,885	8,071,299	1,393,414	20.87%
Total Funds	\$4,532,857	\$9,119,960	\$11,670,837	\$10,884,411	\$13,652,817	\$22,555,248	\$8,902,431	65.21%

Page Reference

Legislative Budget Analysis, A-193

Funding

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 include 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.

Statutory Appropriations

Over half of the funding in the Business Resource Division is statutorily appropriated. General fund of \$7.3 million for the research and commercialization account is statutorily appropriated. The state special revenue funds in the research and commercialization account are also statutorily appropriated. HB 18, a bill requested by the Legislative Finance Committee to transfer the general fund to the state special revenue fund rather than appropriate it was passed by the legislature but vetoed by the Governor. Additional general fund is statutorily provided for business and economic development programs. Other state special revenues include funding for the Distressed Wood Products Program and the economic development trust fund account that receives interest and income from the coal tax trust.

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	43.30%	4,532,857	4,532,857	9,065,714	40.19%
Statewide PL Adjustments	150,022	148,460	298,482	3.50%	358,752	352,039	710,791	3.15%
Other PL Adjustments	(36,952)	(35,468)	(72,420)	(0.85%)	3,222,775	3,443,056	6,665,831	29.55%
New Proposals	2,801,855	1,801,845	4,603,700	54.05%	3,556,453	2,556,459	6,112,912	27.10%
Total Budget	\$4,758,968	\$3,758,880	\$8,517,848		\$11,670,837	\$10,884,411	\$22,555,248	

Present Law Adjustments

The "Present Law Adjustments" table shows the changes to the base budget adopted by the legislature.

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
Total Statewide Present Law Adjustments		\$150,022	\$26,650	\$182,080	\$358,752		\$148,460	\$25,994	\$177,585	\$352,039
DP 50 - Initial Motion to FY 2012 Base	0.00	(150,022)	(26,650)	(182,080)	(358,752)	0.00	(148,460)	(25,994)	(177,585)	(352,039)
DP 51 - Adjustment for Statewide Personal Services	0.00	142,053	82,040	125,089	349,182	0.00	142,353	82,213	125,354	349,920
DP 52 - Adjustment for Statewide Operations	0.00	5,167	2,985	4,551	12,703	0.00	2,107	1,220	1,853	5,180
DP 53 - Base Funding Switch	0.00	4,076	(57,639)	53,563	0	0.00	5,245	(56,719)	51,474	0
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
Total Other Present Law Adjustments	0.00	(\$36,952)	\$1,106,136	\$2,153,591	\$3,222,775	0.00	(\$35,468)	\$1,106,364	\$2,372,160	\$3,443,056
Grand Total All Present Law Adjustments	0.00	\$113,070	\$1,132,786	\$2,335,671	\$3,581,527	0.00	\$112,992	\$1,132,358	\$2,549,745	\$3,795,095

DP 50 - Initial Motion to FY 2012 Base - The legislature adopted a motion to establish the starting point for budget deliberations as the FY 2012 base. This adjustment removes statewide present law adjustments for personal services, vacancy savings, fixed costs, and inflation/deflation.

DP 51 - Adjustment for Statewide Personal Services - This adjustment funds statewide personal services and vacancy savings.

DP 52 - Adjustment for Statewide Operations - This adjustment establishes the fixed cost and inflation/deflation rates as approved by the General Government and Natural Resources and Transportations subcommittees.

DP 53 - Base Funding Switch - This adjustment establishes a fund switch between fund types to fund base operations.

DP 5103 - BRD Administrative Costs Adjustments - HB 2 - The legislature provided 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 (CRDC) to provide a plan for impacts of energy

development in eastern Montana, per diem for the Economic Development Advisory Council board members, costs for recording revolving loans, and cost associated with adjusting ongoing federal appropriations for grants received by the Business Resources Division. State special revenue support is provided from the microbusiness loan account.

DP 5104 - BRD Federal Grants Adjustments - HB 2 - The legislature adopted additional federal appropriations for grants received by the Business Resources Division to match estimated available federal funds for the 2015 biennium for federally funded programs.

New Proposals

Program	-----Fiscal 2014-----					-----Fiscal 2015-----				
	FTE	General Fund	State Special	Federal Special	Total Funds	FTE	General Fund	State Special	Federal Special	Total Funds
DP 54 - Additional Vacancy Savings										
51	0.00	(23,145)	(14,536)	(30,866)	(68,547)	0.00	(23,155)	(14,503)	(30,883)	(68,541)
DP 5101 - BRD Indian Country Economic Development (OTO)										
51	1.00	800,000	0	0	800,000	1.00	800,000	0	0	800,000
DP 5102 - BRD Primary Business Sector Training (Biennial/OTO)										
51	2.00	600,000	800,000	0	1,400,000	2.00	600,000	800,000	0	1,400,000
DP 5106 - Montana SBIR/STTR Program (Restricted/Biennial)										
51	0.50	375,000	0	0	375,000	0.50	375,000	0	0	375,000
DP 5107 - BRD - Biomedical Research Grant (Biennial/ OTO)										
51	0.00	1,000,000	0	0	1,000,000	0.00	0	0	0	0
DP 5108 - MSU-Bozeman-Mt Manufacturing Extensn Ctr (Rst/OTO)										
51	0.00	50,000	0	0	50,000	0.00	50,000	0	0	50,000
DP 5109 - Eliminate Funding for Vacant FTE/ Increase Operati										
51	(1.50)	0	0	0	0	(1.50)	0	0	0	0
Total	2.00	\$2,801,855	\$785,464	(\$30,866)	\$3,556,453	2.00	\$1,801,845	\$785,497	(\$30,883)	\$2,556,459

DP 54 - Additional Vacancy Savings - The legislature applied an additional 2% vacancy savings to all positions except those exempt in statute or that must be filled 24/7. Language was included in HB 2 that allows the agency to allocate the reduction among programs.

DP 5101 - BRD Indian Country Economic Development (OTO) - The legislature provided 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 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 (Biennial/OTO - The legislature provided funding for the Primary Sector Business Training Program to provide grant funds to new and existing Montana businesses to train new employees. The funding provided includes \$0.6 million in general fund each year and \$0.8 million in state special revenues from the Employment Security Account in the state special revenue fund. 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 5106 - Montana SBIR/STTR Program (Restricted/Biennial) - The legislature provided a biennial appropriation of \$750,000 to fund the existing Montana SBIR/STTR program. The funding will be used to provide matching funds to businesses that have been awarded federal grants to conduct feasibility research or to develop commercially viable innovations based on the research.

DP 5107 - BRD - Biomedical Research Grant (Biennial/ OTO) - The legislature approved a biennial appropriation of one-time-only funding to provide grant funding to support biomedical research. The funding may be used to expand, renovate, and purchase equipment for biomedical research or to expand infrastructure.

DP 5108 - MSU-Bozeman-Mt Manufacturing Extensn Ctr (Rst/OTO) - The legislature approved funding a grant to the Montana Manufacturing Extension Center at MSU-Bozeman.

DP 5109 - Eliminate Funding for Vacant FTE/ Increase Operati - During FY 2012 the program used the funding provided by personal services vacancies to provide for operational costs. In calculating administrative cost adjustments included in DP 5103, the program included reductions for the operational costs related to the funding generated by the vacancies. The legislature removed funding for 1.5 FTE that were vacant in FY 2012 reducing personal services. The legislature further increased funding for operating expenses for the program.

Program Budget Comparison

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

Program 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
Operating Expenses	173,344	770,192	786,229	750,000	943,536	1,536,229	592,693	62.82%
Total Costs	\$173,344	\$770,192	\$786,229	\$750,000	\$943,536	\$1,536,229	\$592,693	62.82%
State Special	173,344	770,192	786,229	750,000	943,536	1,536,229	592,693	62.82%
Total Funds	\$173,344	\$770,192	\$786,229	\$750,000	\$943,536	\$1,536,229	\$592,693	62.82%

Page Reference

Legislative Budget Analysis, A-201

Funding

The Montana Promotion Division is funded entirely with state special revenues. The primary funding source is a portion of the statutorily appropriated 4% accommodations tax.

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 2015 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.

Statutory Appropriations

The majority of the lodging facility use taxes are statutorily appropriated to the division.

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	0	0	0	0.00%	173,344	173,344	346,688	22.57%
Statewide PL Adjustments	0	0	0	0.00%	27,143	(9,062)	18,081	1.18%
Other PL Adjustments	0	0	0	0.00%	585,742	585,718	1,171,460	76.26%
New Proposals	0	0	0	0.00%	0	0	0	0.00%
Total Budget	\$0	\$0	\$0		\$786,229	\$750,000	\$1,536,229	

Present Law Adjustments

The "Present Law Adjustments" table shows the changes to the adjusted base budget adopted by the legislature.

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
Inflation/Deflation					30					54
Fixed Costs					27,113					(9,116)
Total Statewide Present Law Adjustments		\$0	\$27,143	\$0	\$27,143		\$0	(\$9,062)	\$0	(\$9,062)
DP 50 - Initial Motion of FY 2012 Base	0.00	0	(27,143)	0	(27,143)	0.00	0	9,062	0	9,062
DP 52 - Adjustment for Statewide Operations	0.00	0	27,143	0	27,143	0.00	0	(9,062)	0	(9,062)
DP 5201 - MPD Private funds & Audit Adjustments (Restricted)	0.00	0	585,742	0	585,742	0.00	0	585,718	0	585,718
Total Other Present Law Adjustments	0.00	\$0	\$585,742	\$0	\$585,742	0.00	\$0	\$585,718	\$0	\$585,718
Grand Total All Present Law Adjustments	0.00	\$0	\$612,885	\$0	\$612,885	0.00	\$0	\$576,656	\$0	\$576,656

DP 50 - Initial Motion of FY 2012 Base - The legislature adopted a motion to establish the starting point for budget deliberations as the FY 2012 base. This adjustment removes statewide present law adjustments for personal services, vacancy savings, fixed costs, and inflation/deflation.

DP 52 - Adjustment for Statewide Operations - This adjustment establishes the fixed cost and inflation/deflation rates as approved by the General Government subcommittee.

DP 5201 - MPD Private funds & Audit Adjustments (Restricted) - The legislature approved increasing the HB 2 private funds appropriation to \$750,000 each year.

Program Budget Comparison

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

Program 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	5.00	5.00	0.00	0.00	5.00	0.00	(5.00)	(100.00%)
Personal Services	264,501	332,393	0	0	596,894	0	(596,894)	(100.00%)
Operating Expenses	184,859	122,607	0	0	307,466	0	(307,466)	(100.00%)
Total Costs	\$449,360	\$455,000	\$0	\$0	\$904,360	\$0	(\$904,360)	(100.00%)
General Fund	449,360	455,000	0	0	904,360	0	(904,360)	(100.00%)
Total Funds	\$449,360	\$455,000	\$0	\$0	\$904,360	\$0	(\$904,360)	(100.00%)

Page Reference

Legislative Budget Analysis, A-204

Funding

The legislature did not provide an appropriation for this program. The program was proposed to be funded entirely with general fund. Instead the legislature provided general fund to support personal services costs for 2.0 FTE and operating costs to the Office of Economic Development within the Governor's Office. The intent of the funding is to provide for economic development of energy within Montana.

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	449,360	449,360	898,720	0.00%	449,360	449,360	898,720	0.00%
Statewide PL Adjustments	66,852	67,623	134,475	0.00%	66,852	67,623	134,475	0.00%
Other PL Adjustments	(22,718)	(22,088)	(44,806)	0.00%	(22,718)	(22,088)	(44,806)	0.00%
New Proposals	(493,494)	(494,895)	(988,389)	0.00%	(493,494)	(494,895)	(988,389)	0.00%
Total Budget	\$0	\$0	\$0		\$0	\$0	\$0	

Present Law Adjustments

The "Present Law Adjustments" table shows the changes to the adjusted base budget adopted by the legislature.

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					81,201					81,960
Vacancy Savings					(13,828)					(13,858)
Inflation/Deflation					(70)					(28)
Fixed Costs					(451)					(451)
Total Statewide Present Law Adjustments		\$66,852	\$0	\$0	\$66,852		\$67,623	\$0	\$0	\$67,623
DP 50 - Initial Motion to FY 2012 Base	0.00	(66,852)	0	0	(66,852)	0.00	(67,623)	0	0	(67,623)
DP 51 - Adjustment for Statewide Personal Services	0.00	67,373	0	0	67,373	0.00	68,102	0	0	68,102
DP 52 - Adjustment for Statewide Operations	0.00	(521)	0	0	(521)	0.00	(479)	0	0	(479)
DP 5501 - EPDD Administrative Cost Adjustments	0.00	(22,718)	0	0	(22,718)	0.00	(22,088)	0	0	(22,088)
Total Other Present Law Adjustments	0.00	(\$22,718)	\$0	\$0	(\$22,718)	0.00	(\$22,088)	\$0	\$0	(\$22,088)
Grand Total All Present Law Adjustments	0.00	\$44,134	\$0	\$0	\$44,134	0.00	\$45,535	\$0	\$0	\$45,535

DP 50 - Initial Motion to FY 2012 Base - The legislature adopted a motion to establish the starting point for budget deliberations as the FY 2012 base. This adjustment removes statewide present law adjustments for personal services, vacancy savings, fixed costs, and inflation/deflation.

DP 51 - Adjustment for Statewide Personal Services - This adjustment funds statewide personal services and vacancy savings.

DP 52 - Adjustment for Statewide Operations - This adjustment establishes the fixed cost and inflation/deflation rates as approved by the General Government subcommittee.

DP 5501 - EPDD Administrative Cost Adjustments - The legislature included increases for rent and agency indirect costs offset by reductions in contracted services. The adjustments are based upon anticipated costs in the next biennium.

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 5502 - Elimination of Funding - Energy Promotion/Dev Div	55	(5.00)	(493,494)	0	0	(493,494)	(5.00)	(494,895)	0	0	(494,895)
Total	(5.00)	(\$493,494)	\$0	\$0	(\$493,494)	(5.00)	(\$494,895)	\$0	\$0	(\$494,895)	

DP 5502 - Elimination of Funding - Energy Promotion/Dev Div - The legislature approved eliminating funding for the Energy Promotion and Development Division within the Department of Commerce including personal services supporting 5.0 FTE and operating expenses.

Program Budget Comparison

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

Program 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	20.33	20.33	20.33	20.33	20.33	20.33	0.00	0.00%
Personal Services	1,163,894	1,251,502	1,420,415	1,419,250	2,415,396	2,839,665	424,269	17.57%
Operating Expenses	582,250	674,823	775,006	761,865	1,257,073	1,536,871	279,798	22.26%
Grants	4,661,752	9,639,248	7,223,954	6,845,993	14,301,000	14,069,947	(231,053)	(1.62%)
Total Costs	\$6,407,896	\$11,565,573	\$9,419,375	\$9,027,108	\$17,973,469	\$18,446,483	\$473,014	2.63%
General Fund	873,486	888,349	702,251	701,869	1,761,835	1,404,120	(357,715)	(20.30%)
State Special	2,317,872	5,192,768	3,412,404	3,021,065	7,510,640	6,433,469	(1,077,171)	(14.34%)
Federal Special	3,216,538	5,484,456	5,304,720	5,304,174	8,700,994	10,608,894	1,907,900	21.93%
Total Funds	\$6,407,896	\$11,565,573	\$9,419,375	\$9,027,108	\$17,973,469	\$18,446,483	\$473,014	2.63%

Page Reference

Legislative Budget Analysis, A-207

Funding

General fund:

- Provides matching funds for the Community Development Block Grant (CDBG)
- Wholly supports the Community Technical Assistance Program

State special revenues is dominated by grant funding for Coal Board programs that fund governmental services that are a direct consequence of an increase or decrease of coal development or as the result of an increase or decrease in the consumption of coal by a coal-using energy complex. The Joint Appropriation Subcommittee on General Government requested a committee bill to continue funding for the Coal Board at 5.9% of the coal severance tax rather than allow a reduction to 2.9% of the taxes scheduled after September 2013 to occur.

The legislature switched the funding of the Quality Schools Grant Program from general fund to state special revenues from the School Facility and Technology Account.

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	873,486	873,486	1,746,972	124.42%	6,407,896	6,407,896	12,815,792	69.48%
Statewide PL Adjustments	145,928	142,910	288,838	20.57%	257,115	250,112	507,227	2.75%
Other PL Adjustments	65,639	67,741	133,380	9.50%	2,754,364	2,369,100	5,123,464	27.77%
New Proposals	(382,802)	(382,268)	(765,070)	(54.49%)	0	0	0	0.00%
Total Budget	\$702,251	\$701,869	\$1,404,120		\$9,419,375	\$9,027,108	\$18,446,483	

Present Law Adjustments

The "Present Law Adjustments" table shows the changes to the base budget adopted by the legislature.

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					309,137					307,918
Vacancy Savings					(58,855)					(58,801)
Inflation/Deflation					(205)					(28)
Fixed Costs					7,038					1,023
Total Statewide Present Law Adjustments		\$145,928	\$27,732	\$83,455	\$257,115		\$142,910	\$24,514	\$82,688	\$250,112
DP 50 - Initial Motion to FY 2012 Base	0.00	(145,928)	(27,732)	(83,455)	(257,115)	0.00	(142,910)	(24,514)	(82,688)	(250,112)
DP 51 - Adjustment for Statewide Personal Services	0.00	147,166	25,608	77,508	250,282	0.00	145,166	24,746	79,205	249,117
DP 52 - Adjustment for Statewide Operations	0.00	0	2,124	4,709	6,833	0.00	0	(232)	1,227	995
DP 53 - Base Funding Switch	0.00	(1,238)	0	1,238	0	0.00	(2,256)	0	2,256	0
DP 6002 - CDD Administrative Costs Adjustments - HB 2	0.00	65,639	683,998	4,727	754,364	0.00	67,741	296,411	4,948	369,100
DP 6003 - CDD Federal Grants Adjustments - HB 2	0.00	0	0	2,000,000	2,000,000	0.00	0	0	2,000,000	2,000,000
Total Other Present Law Adjustments	0.00	\$65,639	\$683,998	\$2,004,727	\$2,754,364	0.00	\$67,741	\$296,411	\$2,004,948	\$2,369,100
Grand Total All Present Law Adjustments	0.00	\$211,567	\$711,730	\$2,088,182	\$3,011,479	0.00	\$210,651	\$320,925	\$2,087,636	\$2,619,212

DP 50 - Initial Motion to FY 2012 Base - The legislature adopted a motion to establish the starting point for budget deliberations as the FY 2012 base. This adjustment removes statewide present law adjustments for personal services, vacancy savings, fixed costs, and inflation/deflation.

DP 51 - Adjustment for Statewide Personal Services - This adjustment funds statewide personal services and vacancy savings.

DP 52 - Adjustment for Statewide Operations - This adjustment establishes the fixed cost and inflation/deflation rates as approved by the General Government subcommittee.

DP 53 - Base Funding Switch - This adjustment establishes a fund switch between fund types to fund base operations.

DP 6002 - CDD Administrative Costs Adjustments - HB 2 - The legislature funded per diem for the Hard Rock Mining Impact Board and Coal Board. In addition the legislature approved authority to establish a \$100,000 reserve account for the Hard Rock Mining Impact Board. Additional costs include consulting services for a designation study for allocation of Coal Board grants, publication costs, computer equipment, public notice, and printing costs.

DP 6003 - CDD Federal Grants Adjustments - HB 2 - The legislature provided federal appropriations for grants received by the Community Development Division to match estimated federal funds for the 2015 biennium.

New Proposals

New Proposals										
Program	FTE	-----Fiscal 2014-----				-----Fiscal 2015-----				
		General Fund	State Special	Federal Special	Total Funds	FTE	General Fund	State Special	Federal Special	Total Funds
DP 6005 - Quality Schools Funding Switch										
60	0.00	(382,802)	382,802	0	0	0.00	(382,268)	382,268	0	0
Total	0.00	(\$382,802)	\$382,802	\$0	\$0	0.00	(\$382,268)	\$382,268	\$0	\$0

DP 6005 - Quality Schools Funding Switch - The legislature approved a funding switch for the administrative costs of the quality school grant program, reducing general fund and increasing state special revenue support from the school facility and technology account.

Page Reference

Legislative Budget Analysis, A-211

Proprietary Rates*Program Description*

The Facility Finance Authority was created by the 1983 Legislature to assist health care and related facilities in containing future health care costs by offering debt financing or refinancing at low-cost, tax-exempt interest rates for buildings and capital equipment. The legislature extended eligible facilities to include community pre-release centers and for-profit manufacturing facilities. Cost savings are shared with consumers in the form of lower fees. The ability to issue industrial development revenue bonds for small manufacturing facilities was added in the 61st Legislative Session, effective July 1, 2009.

The Facility Finance Authority is funded entirely by proprietary funds (enterprise accounting entities 06012 and 06015) with revenues collected from interest, fees, and charges from participating institutions.

The authority is primarily mandated in Title 90, Chapter 7 and Title 2, Chapter 15, MCA.

Facility Finance Authority (06012 and 06015)

This program is funded with an enterprise type proprietary fund. As such, the legislature does not appropriate funds or approve rates for the program. Instead, the legislature reviews the report for the enterprise fund and identifies any concerns with the financial position of the fund.

Program Budget Comparison

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

Program 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	5.83	5.83	5.83	5.83	5.83	5.83	0.00	0.00%
Personal Services	331,008	309,014	355,516	355,746	640,022	711,262	71,240	11.13%
Operating Expenses	395,907	1,097,340	1,053,974	1,058,253	1,493,247	2,112,227	618,980	41.45%
Grants	4,175,926	4,250,000	6,175,926	6,175,926	8,425,926	12,351,852	3,925,926	46.59%
Benefits & Claims	183,921	0	358,921	358,921	183,921	717,842	533,921	290.30%
Total Costs	\$5,086,762	\$5,656,354	\$7,944,337	\$7,948,846	\$10,743,116	\$15,893,183	\$5,150,067	47.94%
State Special	0	25,800	150,000	150,000	25,800	300,000	274,200	1,062.79%
Federal Special	5,086,762	5,630,554	7,794,337	7,798,846	10,717,316	15,593,183	4,875,867	45.50%
Total Funds	\$5,086,762	\$5,656,354	\$7,944,337	\$7,948,846	\$10,743,116	\$15,893,183	\$5,150,067	47.94%

Page Reference

Legislative Budget Analysis, A-212

Funding

The majority of the funds supporting the activities of the Housing Division are proprietary funds. The Board of Housing is funded by six enterprise funds with revenues derived from an administrative charge applied to projects and mortgages financed. Under the Montana Housing Act of 1975, the board does not receive any general fund, and is completely self-supporting.

The programs funded through HB 2 are the Housing and Urban Development HOME Investment Partnerships Program and Montana' Manufactured Home Replacement Program (MHR). The HUD HOME program is an annual categorical federal grant from HUD. Grant funds are distributed, using a competitive process, to successful local governments and Community Housing Development Organizations with an allowed amount being held back at the state level to administer the program. MHR provided loans to remodel manufactured homes. The 2015 biennium includes funding in the event that any prior loans are repaid and funding can be re-loaned.

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	0	0	0	0.00%	5,086,762	5,086,762	10,173,524	64.01%
Statewide PL Adjustments	0	0	0	0.00%	28,610	25,225	53,835	0.34%
Other PL Adjustments	0	0	0	0.00%	2,828,965	2,836,859	5,665,824	35.65%
New Proposals	0	0	0	0.00%	0	0	0	0.00%
Total Budget	\$0	\$0	\$0		\$7,944,337	\$7,948,846	\$15,893,183	

Present Law Adjustments

The "Present Law Adjustments" table shows the changes to the adjusted base budget adopted by the legislature.

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					37,919					38,159
Vacancy Savings					(14,757)					(14,767)
Inflation/Deflation					1					39
Fixed Costs					5,447					1,794
Total Statewide Present Law Adjustments		\$0	\$0	\$28,610	\$28,610		\$0	\$0	\$25,225	\$25,225
DP 50 - Initial Motion to FY 2012 Base	0.00	0	0	(28,610)	(28,610)	0.00	0	0	(25,225)	(25,225)
DP 51 - Adjustment for Statewide Personal Services	0.00	0	0	23,162	23,162	0.00	0	0	23,392	23,392
DP 52 - Adjustment for Statewide Operations	0.00	0	0	5,448	5,448	0.00	0	0	1,833	1,833
DP 7401 - HD Administrative Costs Adjustments - HB 2	0.00	0	150,000	53,965	203,965	0.00	0	150,000	61,859	211,859
DP 7402 - HD Federal Grants Adjustments - HB 2	0.00	0	0	2,625,000	2,625,000	0.00	0	0	2,625,000	2,625,000
Total Other Present Law Adjustments	0.00	\$0	\$150,000	\$2,678,965	\$2,828,965	0.00	\$0	\$150,000	\$2,686,859	\$2,836,859
Grand Total All Present Law Adjustments	0.00	\$0	\$150,000	\$2,707,575	\$2,857,575	0.00	\$0	\$150,000	\$2,712,084	\$2,862,084

DP 50 - Initial Motion to FY 2012 Base - The legislature adopted a motion to establish the starting point for budget deliberations as the FY 2012 base. This adjustment removes statewide present law adjustments for personal services, vacancy savings, fixed costs, and inflation/deflation.

DP 51 - Adjustment for Statewide Personal Services - This adjustment funds statewide personal services and vacancy savings.

DP 52 - Adjustment for Statewide Operations - This adjustment establishes the fixed cost and inflation/deflation rates as approved by the General Government subcommittee.

DP 7401 - HD Administrative Costs Adjustments - HB 2 - The legislature provided authority to annualize the cost of maintenance fees for HOME programs, lease agreements, and indirect costs to the Director's Office.

DP 7402 - HD Federal Grants Adjustments - HB 2 - The legislature approved federal appropriation authority for grants received by the Housing Assistance Bureau's HOME Program to match estimated federal funds for the 2015 biennium.

Proprietary Rates

Program Description

The Montana Housing Act of 1975 created the Montana Board of Housing (board). The board is an agency of the state and operates within the Department of Commerce for administrative purposes. The board provides direction to the agency staff for its programs that include the Homeownership Program, Multifamily Loan Programs, Low Income Housing Tax Credit Program, Housing Montana Fund, and the Reverse Annuity Mortgage (RAM) Program. The Board of Housing is funded by four enterprise funds with revenues derived from an administrative charge applied to projects and mortgages financed.

The Project Based Section 8 (PBS8) Program is the HUD contract administrator for low-income rental properties HUD subsidizes throughout the state. The program provides rental assistance to projects at fixed locations instead of the tenants. Landlords perform administrative tasks at the local level. The agency performs annual property reviews, oversees property management, and makes rent subsidy payments to owners. The agency earns fees from HUD under a performance-based contract for the tasks performed. The Project Based Section 8 program is funded with revenues derived from a performance based Annual Contribution Contract with HUD.

Board of Housing – (Funds 06030, 06031, 06078, and 06079)

This program is funded with an enterprise type proprietary fund. As such, the legislature does not appropriate funds or approve rates for the program. Instead, the legislature reviews the report for the enterprise fund and identifies any concerns with the financial position of the fund.

Section 8 Housing – (Funds 06074,06075, and 06085)

This program is funded with an enterprise type proprietary fund. As such, the legislature does not appropriate funds or approve rates for the program. Instead, the legislature reviews the report for the enterprise fund and identifies any concerns with the financial position of the fund.

Page Reference

Legislative Budget Analysis, A-216

Program Description

The Board of Investments (board) manages the Unified Investment Program mandated by Article VIII, Section 13 of the Montana Constitution. Statute grants the board sole authority to invest state funds. The board also invests local government funds at their discretion. The board currently manages an investment portfolio with a market value of approximately \$12.0 billion. The board manages the portfolio under the "prudent expert principle."

To provide for diversification and reduced risk, the board manages several investment pools in which funds of similar types are invested. The board manages seven investment pools, which operate like mutual funds.

- Retirement Funds Bond Pool
- Trust Funds Bond Pool
- Short Term Investment Pool
- Montana Domestic Stock Pool
- Montana International Equity Pool
- Montana Private Equity Pool
- Montana Real Estate Pool

Annual audited financial statements are prepared for each investment pool. Investments not managed in pools are included in an "all other funds" financial statement. The board also issues tax-exempt bonds and lends the proceeds to eligible government agencies for a variety of purposes.

Section 17-6-305, MCA, authorizes the board to invest 25% of the Permanent Coal Tax Trust Fund to assist Montana's economic development. This "In-State Investment Program" makes business loans from the trust fund in participation with financial institutions. The board lends trust fund monies to local governments to fund infrastructure that will serve job-creating businesses locating in the government's jurisdiction. The board also lends low-interest monies funded from the trust fund to value-added type businesses creating jobs. Throughout FY 2010, the board purchased Montana residential mortgages with pension funds as part of the In-State Investment Program.

The board sells tax-exempt bonds and lends the proceeds to eligible governments for a variety of projects. Loan terms range from one to 15 years and short-term loans to finance cash flow deficits or bridge financing are also available.

*Program Narrative*Expenses

Overall the program costs increase over 13% between FY 2012 and the 2015 biennium. The figure below shows the proposed increases in costs and related funding.

Department of Commerce Board of Investments					
	FY 2012	FY 2014	% Change	FY 2015	% Change
FTE	32.00	32.00	0.00	32.00	0.00
Personal Services	\$2,661,343	\$3,059,481	14.96%	\$3,060,044	14.98%
Operating Costs	<u>2,065,197</u>	<u>2,341,836</u>	13.40%	<u>2,304,695</u>	11.60%
Total Costs	<u>\$4,726,540</u>	<u>\$5,401,317</u>	14.28%	<u>\$5,364,739</u>	13.50%
Funding					
Industrial Revenue Bonds	306,088	484,620	58.33%	464,608	51.79%
Investment Division	<u>4,726,540</u>	<u>5,401,317</u>	14.28%	<u>5,364,739</u>	13.50%
Total Funding	<u>\$5,032,628</u>	<u>\$5,885,937</u>	16.96%	<u>\$5,829,347</u>	15.83%

Significant increased costs for personal services include:

- o Refunding of 4.00 FTE that were vacant all of FY 2012; 3.00 FTE have been vacant since at least FY 2010 with 1.00 FTE vacant since FY 2007
- o Additional funding for 5.00 FTE that were vacant a portion of the year
- o Broadband pay increases granted in FY 2012 but annualized in the 2015 biennium

Increases associated with operating costs include:

- o Consulting and professional services
- o Legal fees and court costs
- o Data network services
- o Rent
- o Indirect administrative costs

Revenues

Nearly all bond program revenues are generated by the difference between interest rates on bonds sold and the interest rate charged on loans to borrowers. Since these revenues are only received from the trustee on an annual basis, a 270 day fund balance is required to provide adequate funding for the bond program between draws. Remaining revenues are received monthly from the board’s contract with the Montana Facility Finance Authority.

Nearly all investment program revenues are generated from charges to each account that the board invests. The revenue objective of the investment program is to fairly assess the costs of operations while maintaining a reasonable and prudent 60 day working capital reserve.

Proprietary Rates

For the 2015 biennium the following rates were adopted by the legislature. The rates charged in the base year are shown for comparison purposes. The Board of Investments recovers its costs from the entities that use its services. Typically, this has been done by requesting a maximum level of expenditures similar to what occurs in HB 2 and setting the fee at that level. This process has been utilized since the passage of HB 576 in 1995 and this methodology is continued in the 2015 biennium.

Rates for Internal Service Funds				
Fee/Rate Information				
	Actual FYE 12	Budgeted FY 13	Budgeted FY 14	Budgeted FY 15
BOI Administrative Fee Rate	4,831,041	4,831,041	5,109,144	5,234,796
Allocation Methodology: The revenue objective of the Board of Investments is to assess the costs of operations to each portfolio the Board invests while attempting to maintain a reasonable and prudent 60 day working capital reserve.				

The rates approved by the legislature are the maximum the program may charge during the biennium. They are not the rates the program must charge.

Program Budget Comparison

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

Program 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
Grants	261,062	600,000	550,000	550,000	861,062	1,100,000	238,938	27.75%
Total Costs	\$261,062	\$600,000	\$550,000	\$550,000	\$861,062	\$1,100,000	\$238,938	27.75%
Federal Special	261,062	600,000	550,000	550,000	861,062	1,100,000	238,938	27.75%
Total Funds	\$261,062	\$600,000	\$550,000	\$550,000	\$861,062	\$1,100,000	\$238,938	27.75%

Page Reference

Legislative Budget Analysis, A-218

Funding

The Director's Office is funded by an internal service proprietary fund from indirect costs charged to all agency programs. For further discussion of the proprietary funded portion of this program refer to the "Proprietary Rates" section.

The Montana Council on Developmental Disabilities is entirely funded with federal special revenues.

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	0	0	0	0.00%	261,062	261,062	522,124	47.47%
Statewide PL Adjustments	0	0	0	0.00%	0	0	0	0.00%
Other PL Adjustments	0	0	0	0.00%	288,938	288,938	577,876	52.53%
New Proposals	0	0	0	0.00%	0	0	0	0.00%
Total Budget	\$0	\$0	\$0		\$550,000	\$550,000	\$1,100,000	

Present Law Adjustments

The "Present Law Adjustments" table shows the changes to the adjusted base budget adopted by the legislature.

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
Total Statewide Present Law Adjustments		\$0		\$0	\$0		\$0		\$0	\$0
DP 8101 - DO Federal Grants Adjustments - HB 2	0.00	0	0	288,938	288,938	0.00	0	0	288,938	288,938
Total Other Present Law Adjustments	0.00	\$0	\$0	\$288,938	\$288,938	0.00	\$0	\$0	\$288,938	\$288,938
Grand Total All Present Law Adjustments	0.00	\$0	\$0	\$288,938	\$288,938	0.00	\$0	\$0	\$288,938	\$288,938

DP 8101 - DO Federal Grants Adjustments - HB 2 - The legislature included increases in federal appropriations for grants received by the Director's Office to match estimated available federal funds for the 2015 biennium for the Montana Council on Developmental Disabilities.

Proprietary Rates

Program Description

The Director's Office provides overall leadership, communication, and management support to the Department of Commerce staff, programs, bureaus, divisions and administratively attached boards. Services are provided by the Office of Accounting and Budget, Legal Affairs, Human Resources, Information Technology, and Public Information.

Program Narrative

Overall, costs for the program increase by almost 14% when compared to the FY 2012 base. The majority of the increases are in personal service costs which are about 15.5% higher when compared to FY 2012. The figure below shows the changes in personal service and operating costs when compared to the FY 2012 base amounts.

Department of Commerce Director's Office					
	FY 2012	FY 2014	% Increase	FY 2015	% Increase
Personal Services	\$1,322,134	\$1,526,685	15.47%	\$1,527,824	15.56%
Operating Costs	<u>224,995</u>	<u>232,560</u>	<u>3.36%</u>	<u>234,311</u>	<u>4.14%</u>
	<u>\$1,547,129</u>	<u>\$1,759,245</u>	13.71%	<u>\$1,762,135</u>	13.90%

The increases are included as part of the proposals related to administrative cost adjustments.

Expenses

Significant costs for the program include:

- Personal service increases that are almost entirely due to the annualization of broadband pay increases granted in the last half of FY 2012
- Operating costs, which include increased costs for SITSD charges and rent

Revenues

The Director's Office is funded by revenues from charges allocated to all divisions, bureaus, and programs supported by the division's indirect cost plan. Indirect costs are allocated to supported programs based upon federally calculated and legislatively approved indirect cost rates applied to actual personal services expenditures.

Proprietary Rates

For the 2015 biennium the following rates approved by the legislature are shown on the next page.

Rates for Internal Service Funds				
Fee/Rate Information				
	Actual FYE 12	Budgeted FY 13	Budgeted FY 14	Budgeted FY 15
Director's Office Rate	12.95%	12.95%	14.65%	14.65%

The Director's Office calculates a federal indirect cost rate on an annual basis. This rate is a fixed rate for federally funded programs. This rate is then applied against actual federally funded personal services expenditures within the department.

The federally calculated rate requires that a carry-forward amount be built into the rate. This carry-forward amount represents the amount the Director's Office under-recovered or over-recovered in a given fiscal year. This computation compares what was originally calculated to what actually occurred. The difference is then carried forward into the following year's rate.

The indirect cost rate is determined based on guidelines prescribed by the federal government. The rate approved by the legislature is considered a cap; therefore, the department cannot impose a rate higher than what has been approved by the legislature. However, the annually calculated federal rate may be slightly lower.

The rates approved by the legislature are the maximum the program may charge during the biennium. They are not the rates the program must charge.