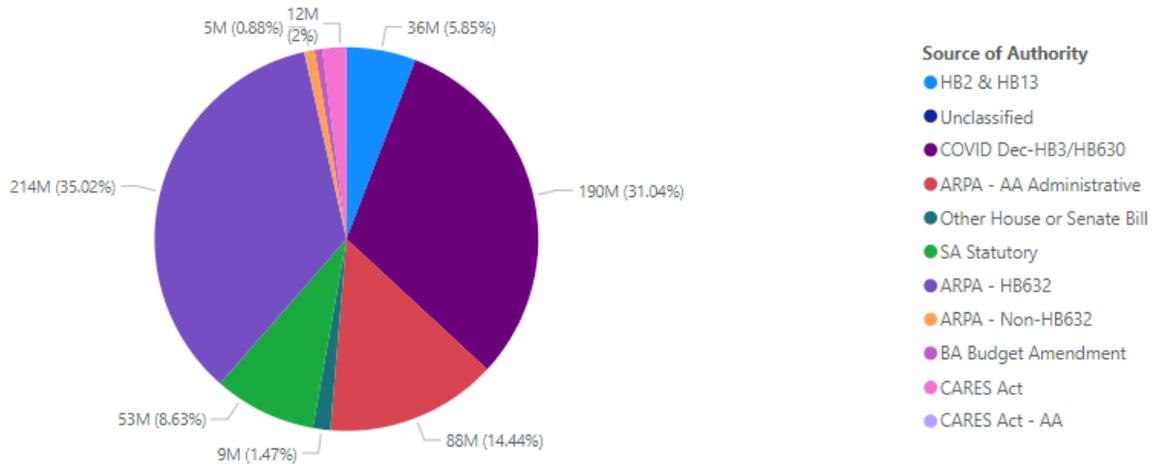


# DEPARTMENT OF COMMERCE

## TOTAL APPROPRIATION AUTHORITY

The total appropriation authority for the agency is shown in the pie chart below. HB 2 and HB 13 provide 5.9% of the total authority for this agency. All types of appropriation authority for this agency are described below, including total budget and the percent expended by source of authority.

Total Modified Budget by Source of Authority



Source of Authority	FYE22 Modified Budget	FYE22 Expended Budget	Percent Expended
HB2 & HB13	35,726,284	27,622,094	77.3%
BA Budget Amendment	3,984,986	1,964,288	49.3%
Other House or Senate Bill	8,984,360	5,768,524	64.2%
SA Statutory	52,723,423	45,678,523	86.6%
Unclassified	1,107		
CARES	12,277,704	2,018,036	16.4%
CARES II	189,557,415	44,775,410	23.6%
ARPA	307,395,769	34,292,048	11.2%
<b>Total</b>	<b>610,651,048</b>	<b>162,118,925</b>	<b>26.5%</b>

### Report Period

- Jul
- Aug
- Sep
- Oct
- Nov
- Dec
- Jan
- Feb
- Mar
- Apr
- May
- Jun

## Budget Amendments

Budget amendments processed in FY 2022 for the Department of Commerce total approximately \$4.0 million in federal special revenue funds, of which \$2.0 million or 49.3% was expended. Budget amendments are for the following:

- Housing and Urban Development (HUD) Division housing trust fund (HTF) – An affordable housing production program (\$1.1 million appropriated, and \$1.0 million or 88.8% expended)
- Housing Choice Voucher Program – Assists very low-income families, the elderly, and the disabled to afford housing in the private market (\$341,000 appropriated, and \$138,000 or 40.6% expended)
- Project-Based Section 8 Housing – Provides housing to low-income households in privately owned and managed rental units (\$1.4 million appropriated, and \$176,000 or 13.0% expended)
- State Trade Expansion Program (STEP) – Supports small businesses who participate in foreign trade and markets (\$1.2 million appropriated, and \$638,000 or 55.3% expended)

These are all funded from federal grants which have end dates as far out as October 2025. The agency anticipates all funds to be fully expended before their respective end dates.

## **Other Bills**

Appropriations from other house and senate bills total \$9.0 million in FY 2022, of which \$5.8 million or 64.2% was expended. Other house and senate bills are discussed in further detail below.

### ***HB 11 – Montana Coal Endowment Program (MCEP, formerly TSEP)***

HB 11 appropriates money from the Montana coal endowment state special revenue account to the Department of Commerce for infrastructure projects, emergency grants for financial assistance to local governments, and infrastructure planning grants. MCEP appropriations in HB 11 for the 2023 biennium include an appropriation of \$3.2 million for bridge project grants from the MCEP state special revenue account. The Department of Commerce is in the process of executing contracts and has begun issuing payments as of January 1, 2022. Of the \$3.2 million appropriated, \$62,000 was expended in FY 2022.

### ***HB 12 – Historic Preservation Grants Program***

HB 12 appropriated funds for historic preservation projects. These are generally multi-year projects. The agency has executed a majority of the contracts with awardees and has started issuing payments. Of the \$5.5 million appropriated, \$566,000 or 10.3% was expended in FY 2022.

### ***HB 648 – Coal Ash Markets Investigation Program***

HB 648 requires the Department of Commerce to establish a Coal Ash Markets Investigation Program to determine economically viable markets to reuse coal ash. At the 2022 fiscal year end (FYE), \$25,000 was appropriated, and no expenditures had been made. HB 648 states that an investigation may start once sufficient funds are available. During FY 2022, the agency did not feel there were sufficient funds. However, this is a continuing appropriation that the agency anticipates expending by the end of FY 2023.

### ***HB 652 – Capital and infrastructure projects***

HB 652 was passed during the 2019 Legislative Session and appropriated capital project funds to the Montana Heritage Commission for the restoration and maintenance of historic properties in Virginia City and Nevada City. Approximately \$137,000 of this appropriation remained in FY 2022 and was entirely expended.

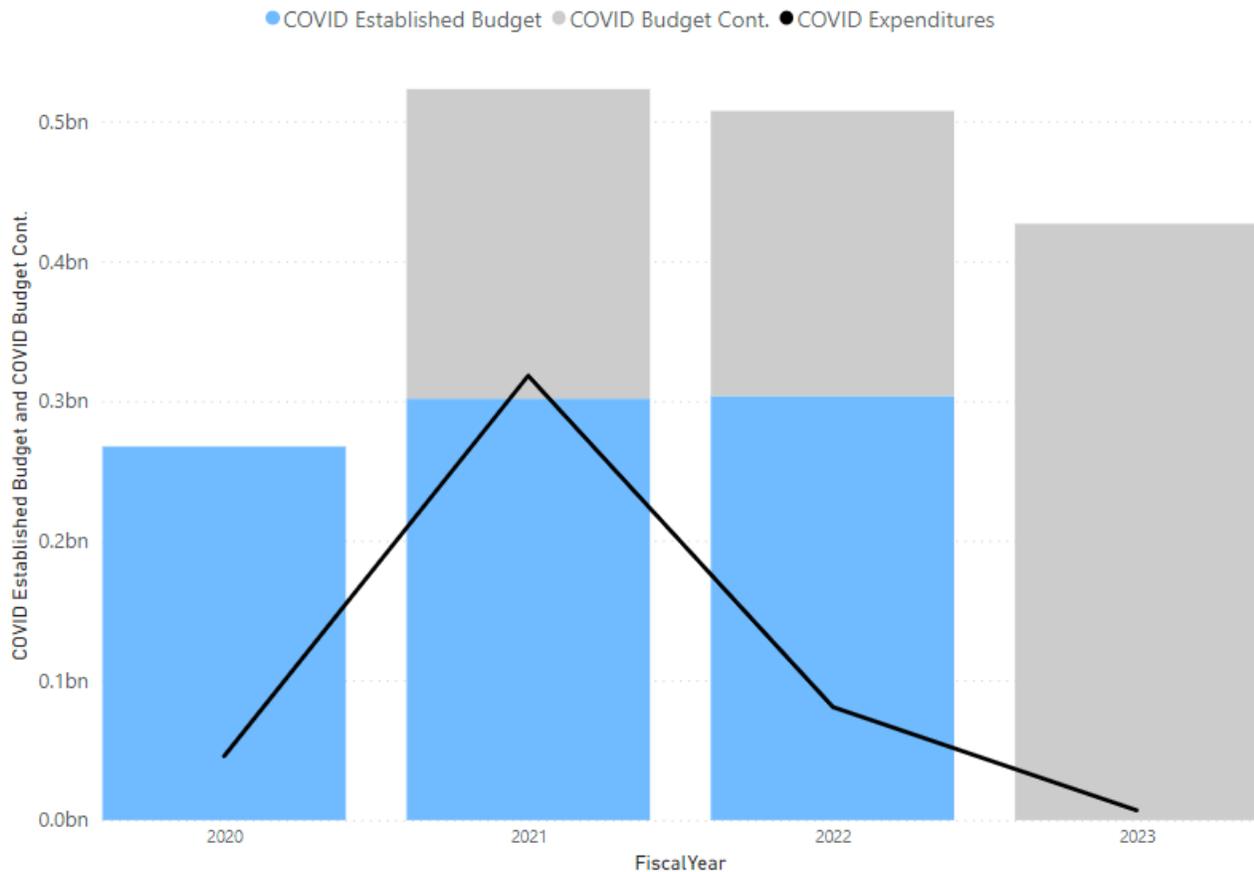
### ***HB 660 – Made-in-Montana Program***

HB 660 appropriated funds to the Made-in-Montana Program which assists Montana businesses in developing and marketing their products. This bill also expands the use of the funds in the economic development state special revenue account for other economic development purposes. This bill appropriated \$162,500, and \$10,000 was expended in FY 2022. The Department of Commerce hired an individual to implement this bill at the end of the fiscal year. Unspent authority will continue into FY 2023. At this time, a consumer campaign has begun, and additional outreach efforts are being conducted.

### ***COVID-19 Authority***

The following chart is provided to allow the legislature to examine the funding that is available to the agency for COVID-19 impacts.

COVID Established Budget, COVID Continuing Budget, and COVID Expenditures by Fiscal Year



The agency received approximately \$366.5 million in the Coronavirus Aid, Relief, and Economic Security (CARES) Act I. The majority of funding provided to the agency was for business stabilization grants. Additional funding was provided for small business development center grants, community development block grants, rental assistance, and loan deferments. Of the established CARES I budget, the agency has expended \$355.5 million, or 97.0%. These funds have various end dates as early as December 30, 2020, and as late as January 20, 2026.

In the CARES Act II funding, the Department of Commerce was appropriated \$183.0 million in HB 630 for emergency rental assistance payments. Additionally, HB 3 appropriated \$17.0 million to fund administration costs and 28.00 modified FTE to administer the Emergency Rental Assistance Program. As of February 1, 2022, \$53.0 million had been returned to Treasury due to statutory requirements that allow Treasury to recapture excess funds. The remainder of these funds are continuing appropriations with an end date of June 30, 2023. Due to federal guidance, the uses of these funds are limited, and expenditures are dependent on the number of applications received and the number of eligible applicants.

HB 632 established authority from the American Rescue Plan Act (ARPA) for the Department of Commerce. This authority included \$50.0 million for mortgage assistance, approximately \$11.5 million for the Home Investment Partnerships Program (HOME), \$152.4 million for emergency rental assistance (ERA II), and \$65.0 million for the state small business credit initiative (SSBCI). These appropriations were signed into law on April 30, 2021. Appropriations for housing or rental assistance programs will remain available through the 2025 biennium, and the SSBCI appropriation will remain available through June 30, 2033 per HB 632, Section 14. To date, the

federal government has released 100.0% of the mortgage assistance funds, 40.0% of the ERA II funds, and 5.0% of the HOME funds. The federal Treasury released the process for grantees to request the remaining 60.0% of ERA II funds on September 14, 2021 and has reviewed and approved Montana's homeowner assistance fund (HAF) plan. HUD released the requirements for the use of the HOME funds in September and will release an additional 10.0% for administration costs after the Montana HOME allocation plan has been approved by HUD. No funds have been received for the SSBCI. However, following the release of federal guidelines for SSBCI on November 10, 2021, the Department of Commerce submitted an initial application on December 11, 2021, and the final application on February 10, 2022. The program is anticipated to be operational by the end of August 2022.

Additionally, \$350,000 was allocated from the coronavirus state and local fiscal recovery funds for the recruitment of out-of-state health care workers. These funds are a reallocation from the remaining balance of the Return-to-Work Bonus Program. The Department of Commerce is responsible for marketing the program to out-of-state workers. Funds must be obligated by December 31, 2024 and spent by December 31, 2026. As of the FYE, \$289,000 or 82.6% has been expended.

Unspent authority that continues into FY 2023 totals \$426.9 million and includes \$9.0 million from CARES I, \$144.8 million from CARES II, and \$273.1 million from ARPA. Authority from CARES I is primarily for community development block grants. CARES II authority is entirely for emergency rental assistance, which expires in June 2023. ARPA continuing appropriations are primarily for housing and rental assistance.

## **Statutory Appropriations**

Statutory appropriations total approximately \$52.7 million in FY 2022, of which \$45.7 million or 86.6% was expended. A further discussion of statutory appropriations is below.

### ***Coal Severance Tax (15-35-108, MCA)***

Coal severance tax distributions of \$1.8 million each year include:

- \$325,000 for the Small Business Development Center
- \$50,000 for the Small Business Innovative Research Program
- \$625,000 for Certified Regional Development Corporations
- \$500,000 for the Montana Manufacturing Extension Center at Montana State University Bozeman
- \$300,000 for export trade enhancement

At FYE, the agency had expended \$1.3 million, or 70.7%. \$500,000 for Certified Regional Development was accrued at FYE to fully expend the \$1.8 million.

### ***Big Sky Economic Development Trust Fund Program (Title 90, Chapter 1, MCA)***

The Big Sky Economic Development Trust Fund Program is funded from interest earned on the coal severance tax trust fund to provide state funds to local communities to promote economic development and sustainability. For FY 2022, the agency had \$4.0 million in statutory appropriations, of which \$758,000 or 18.9% had been expended. There was a delay in sending out approval and award letters to recipients of these funds and the agency determined there was not enough time to get the recipients under contract before the FYE. An increase in expenditures will be reflected in FY 2023.

### ***Distressed Wood Products Industry Revolving Loan Program (WPIRS; 90-1-504, MCA)***

WPIRS was created in 2009 by the Montana Legislature in response to the low demand for wood products. This program is a state and federally funded revolving loan program that provides financial assistance to create or retain jobs for wood products industry businesses. Appropriations total \$1.6 million and approximately

\$78,000 or 4.8% had been expended in FY 2022. Expenditures for this program are dependent on the number of applicants received and the timing of when awards are granted.

***MEDIA Act film fee (15-31-1007, MCA)***

The Montana Economic Development Industry Advancement (MEDIA) Act film fee is a fee paid by production companies when they apply for certification with the Department of Commerce to claim the MEDIA Act transferable income tax credit. Therefore, expenditures are dependent on the revenue received from the total number of applications submitted. The use of these funds is to help pay for the implementation of the provisions of this act, including the presentation of a report on the economic impact of the tax credits created by an outside research organization called for by HB 293, enacted by the 2019 Legislature. Appropriations for FY 2022 totaled \$15,000 and were entirely expended by FYE.

***Lodging facility use tax (15-65-121, MCA)***

The lodging facility use tax provides funds to the Department of Commerce through a 4.0% lodging facility use tax imposed on guests of hotels, motels, bed and breakfasts, resorts, campgrounds, and any other lodging sites. A portion of the tax proceeds must go to the Department of Commerce for tourism promotion and promotion of the state as a location for film production as well as for regional tourism promotion. Appropriations total \$42.2 million in FY 2022, of which \$35.8 million or 84.7% had been expended. Appropriations were increased throughout the fiscal year due to higher than anticipated revenues as well as additional funds for grants including emergency marketing grants and state marketing efforts for local areas impacted by flooding.

***Lewis & Clark bicentennial license plates (2-15-151, MCA)***

The Department of Commerce receives fees from Lewis & Clark bicentennial license plates sold through the Motor Vehicles Division at the Department of Justice. Three-fourths of the revenue from this source is placed in a state special revenue fund for the Department of Commerce for projects related to Lewis and Clark. The remaining one-fourth of revenue is placed in a state special revenue account for the Montana Historical Society. Revenue received is dependent on the sale of license plates. In FY 2022, appropriations totaled \$10,700, and \$8,400 or 78.1% had been expended.

***Hard rock county distribution (15-37-117, MCA)***

Hard rock mining operations pay a metal mines tax, of which 35.0% of the proceeds are allocated by the department to the counties where the mines are operated to be used for school district funding and economic development. Appropriations totaled \$584,000 in FY 2022, and \$563,000 or 96.3% had been expended.

***Board of Investments debt service (Title 17, Chapter 5, MCA)***

The Board of Investments provides investment management of state and local government funds and issues tax-exempt bonds on behalf of Montana state agencies, universities, and local governments. Bonds are remarketed annually, and the budget for the debt services account is established by the board estimating the rate the bonds may be redeemed, interest to be paid, and the trustee costs. Actual costs vary from the estimates which may lead to lower than anticipated expenditures. Approximately \$2.1 million was appropriated in FY 2022, and \$479,000 or 23.0% has been expended.

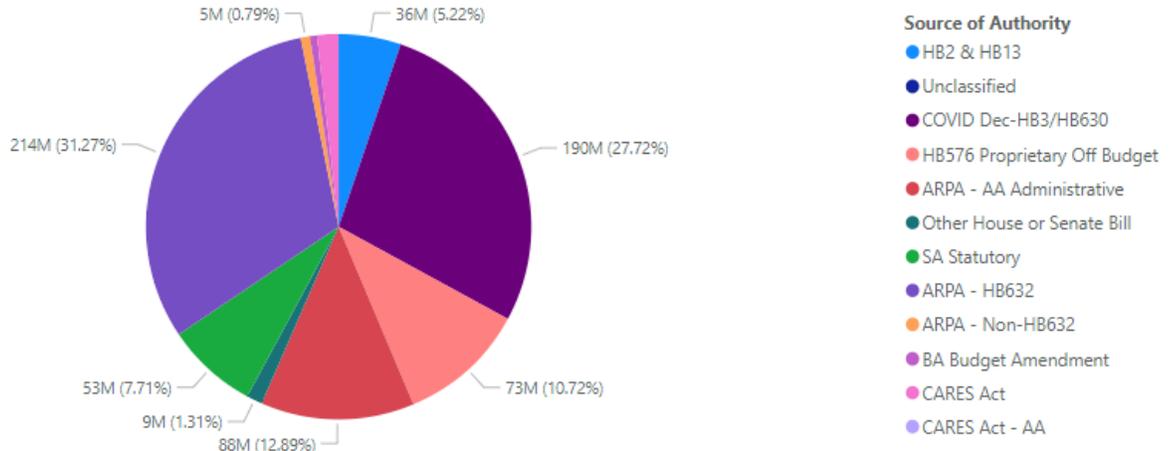
***Board of Horse Racing (BOHR; 23-4-105, MCA)***

The BOHR is responsible for regulating, ensuring compliance, licensing, and auditing all horse racing in the state of Montana. The board is funded with state special revenue from a 1.0% tax on gross receipts from pari-mutuel betting (for simulcast facilities, the tax is greater than 1.0%). In FY 2022, the board was appropriated \$380,000, and \$350,000 or 92.1% was expended.

## TOTAL EXPENDITURE AUTHORITY

The total expenditure authority for the agency is shown in the following pie chart. Total expenditure authority includes non-budgeted proprietary funding and non-budgeted expenditures such as transfers or indirect costs which are not included in the previous pie chart as the expenditures are not appropriated.

Modified Budget and Expended Budget by Source of Authority



Source of Authority	Modified Budget	Expended Budget	Percent Expended
HB2 & HB13	35,726,284	27,622,094	77.3%
BA Budget Amendment	3,984,986	1,964,288	49.3%
HB576 Proprietary Off Budget	73,298,112	67,070,393	91.5%
Other House or Senate Bill	8,984,360	5,768,524	64.2%
SA Statutory	52,723,423	45,678,523	86.6%
Unclassified	1,107		
CARES	12,277,704	2,018,036	16.4%
CARES II	189,557,415	44,775,410	23.6%
ARPA	307,395,769	34,292,048	11.2%
<b>Total</b>	<b>683,949,160</b>	<b>229,189,318</b>	<b>33.5%</b>

- Report Period
- Jul
  - Aug
  - Sep
  - Oct
  - Nov
  - Dec
  - Jan
  - Feb
  - Mar
  - Apr
  - May
  - Jun

Non-budgeted proprietary funding totaled approximately \$73.3 million for FY 2022, of which \$67.1 million or 91.5% was expended. This funding was for the following:

- Montana Facility Finance Authority – \$800,000 appropriated, and \$615,000 or 77.0% expended
- Board of Housing – \$61.1 million appropriated, and \$55.3 million or 90.6% expended
- Board of Investments – \$9.0 million appropriated, and \$8.7 million or 96.9% expended
- Centralized Services Program in the Director’s Office – \$2.5 million appropriated, and \$2.4 million or 97.8% expended

## HB 2 BUDGET MODIFICATIONS

The following chart shows the HB 2 budget as passed by the legislature, including the pay plan, and the HB 2 modified budget from June 1, 2022, through July 1, 2022. Net modifications to the budget include operating plan changes from one expenditure account to another, program transfers, reorganizations, and agency transfers of authority. The **positive modifications** and **negative modifications** are shown by program, expenditure account, and fund type.

### Legislative Budget Compared to Modified Budget - HB 2 Only

Agency Name	June Modified Budget	FYE22 Modified Budget	Net Modifications
<input type="checkbox"/> Department of Commerce	35,766,284	35,726,284	-40,000
BOARD OF HORSE RACING	200,733	200,733	
BRAND MT	358,486	358,486	
BUSINESS MT	6,371,803	6,311,803	-60,000
COMMUNITY MT	13,913,792	13,913,792	0
DIRECTORS OFFICE	1,315,512	1,335,512	20,000
HOUSING MT	11,336,017	11,336,017	0
MONTANA HERITAGE COMMISSION	2,269,941	2,269,941	
<b>Total</b>	<b>35,766,284</b>	<b>35,726,284</b>	<b>-40,000</b>

Acct & Lvl 1 DESC	June Modified Budget	FYE22 Modified Budget	Net Modifications
<input type="checkbox"/> 61000 Personal Services	4,843,675	4,861,675	18,000
<input type="checkbox"/> 62000 Operating Expenses	6,656,850	6,598,850	-58,000
<input type="checkbox"/> 63000 Equipment & Intangible Assets	250,000	250,000	
<input type="checkbox"/> 64000 Capital Outlay	200,000	200,000	
<input type="checkbox"/> 65000 Local Assistance	46,000	46,000	
<input type="checkbox"/> 66000 Grants	23,219,503	23,219,503	0
<input type="checkbox"/> 68000 Transfers-out	241,124	241,124	
<input type="checkbox"/> 69000 Debt Service	309,132	309,132	0

Fund Type	June Modified Budget	FYE22 Modified Budget	Net Modifications
<input type="checkbox"/> 01 General	4,601,857	4,561,857	-40,000
<input type="checkbox"/> 02 State/Other Spec Rev	10,216,599	10,216,599	0
<input type="checkbox"/> 03 Fed/Other Spec Rev	20,947,828	20,947,828	0

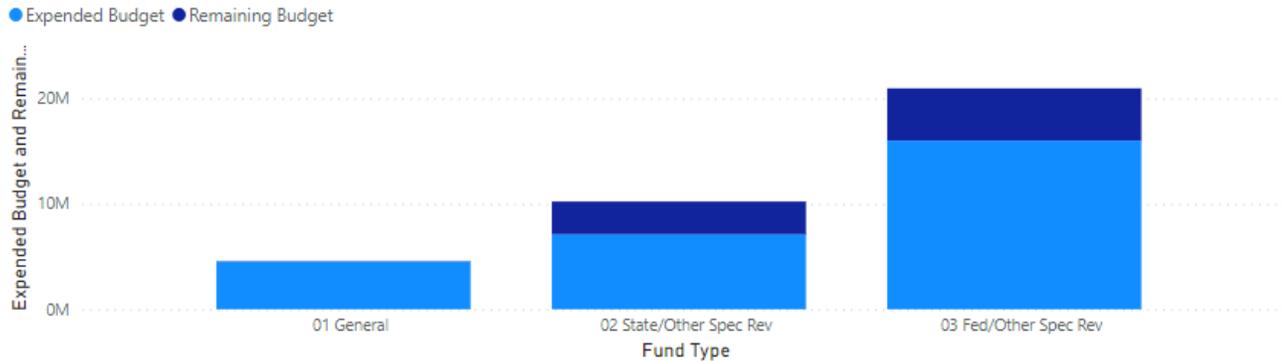
The Department of Commerce had two budget modifications between June 1, 2022 through July 1, 2022. The first reverted funds back to the Office of Budget and Program Planning. The Business MT Program received \$60,000 in HB 2 funding to conduct an efficiency study of the State Tribal Economic Development Program (STED). The agency was unable to execute this study before the FYE, therefore funds were reverted.

The second budget modification permanently transferred the applications managed by the Governor's Office of Economic Development to the Montana Department of Commerce, as well as funding and administrative duties for the Montana Ambassador Program. In total, this transferred \$18,000 in personal services funding and \$2,000 in operating expenses in FY 2022.

## HB 2 APPROPRIATION AUTHORITY

The following chart shows the appropriated budget for the agency compared to expenditures through July 1, 2022.

Expended Budget and Remaining Budget by Fund Type - HB 2 Only



acclv1_descr	Modified Budget	Expended Budget	Percent Expended
Personal Services	4,861,675	4,120,275	84.8%
Operating Expenses	6,598,850	4,596,641	69.7%
Equipment & Intangible Assets	250,000	130,000	52.0%
Capital Outlay	200,000	69,500	34.8%
Local Assistance	46,000		
Grants	23,219,503	18,190,209	78.3%
Transfers-out	241,124	240,000	99.5%
Debt Service	309,132	275,468	89.1%

Program Name	Modified Budget	Expended Budget	Percent Expended
BOARD OF HORSE RACING	200,733	141,078	70.3%
BRAND MT	358,486	90,839	25.3%
BUSINESS MT	6,311,803	4,736,598	75.0%
COMMUNITY MT	13,913,792	11,664,479	83.8%
DIRECTORS OFFICE	1,335,512	1,235,186	92.5%
HOUSING MT	11,336,017	7,579,929	66.9%
MONTANA HERITAGE COMMISSION	2,269,941	2,173,985	95.8%
<b>Total</b>	<b>35,726,284</b>	<b>27,622,094</b>	<b>77.3%</b>

The Department of Commerce’s HB 2 modified budget for FY 2022 totaled \$35.7 million, of which \$27.6 million or 77.3% was expended at FYE. The majority of the Department of Commerce’s HB 2 budget is in federal special revenue for grants. The Brand MT and Housing MT Divisions had lower expenditures at 25.3% and 66.9%, respectively. Lower expenditures in Housing MT are due to the programs being primarily funded with ongoing federal funds that are for multi-year projects.

Low expenditures in the Brand MT Division are due to lower expenditures for the Governor’s Tourism Conference which was budgeted for \$285,000 in FY 2022 and the agency expended \$67,000. The remaining budgeted funds were for a biennial legislative audit.

### Personal Services

Personal service expenditures accounted for 13.6% of the Department of Commerce’s HB 2 modified budget. At the 2022 FYE, \$4.1 million or 84.8% had been expended.

The following chart shows the filled and vacant FTE within the agency as of August 1, 2022.



The Department of Commerce has 6.00 FTE out of 46.05 FTE or 13.0%, of its HB 2 positions vacant as of August 1, 2022. This is a reduction from 16.7%, or 7.67 FTE, vacant during the last quarterly report. Vacancies include:

- 13.8% or 2.00 FTE in the Business MT Division for a business development specialist and a census communications coordinator
- 15.4% or 3.00 FTE in the Community Development Division for a Community Development Block Grant coordinator, an accountant, and a lawyer
- 80.0% or 1.00 FTE in the Board of Horse Racing for a program specialist. It should be noted that this position is typically contracted out by transferring the funding for this FTE to operating expenses

During FY 2022, the Department of Commerce had ten employees leave state employment, two retire, and one transfer to a different agency. The agency has noted that they have faced difficulties filling and retaining higher-level positions due to competition with the private sector as well as other state agencies that may offer higher salaries. In response to hiring difficulties, the agency has increased its online recruiting presence and adjusted job posting language and advertising to make it more applicant friendly.

## Operating Expenses

Operating expenditures account for 18.5% of the Department of Commerce’s HB 2 modified budget. At the 2022 FYE, \$4.6 million or 69.7% had been expended. Significant expenditures include consulting and professional services and administrative costs. Lower expenditures are due to the majority of the agency’s funds being for ongoing federally funded programs that are involved in multi-year projects.

## Grants

Grant expenditures account for 65.0% of the Department of Commerce’s HB 2 modified budget. At the 2022 FYE, \$18.2 million, or 78.3% had been expended. Significant grant expenditures are for construction projects in the Community MT Division. Lower expenditures are due to the majority of the agency’s funds being for ongoing federally funded programs that are involved in multi-year projects.