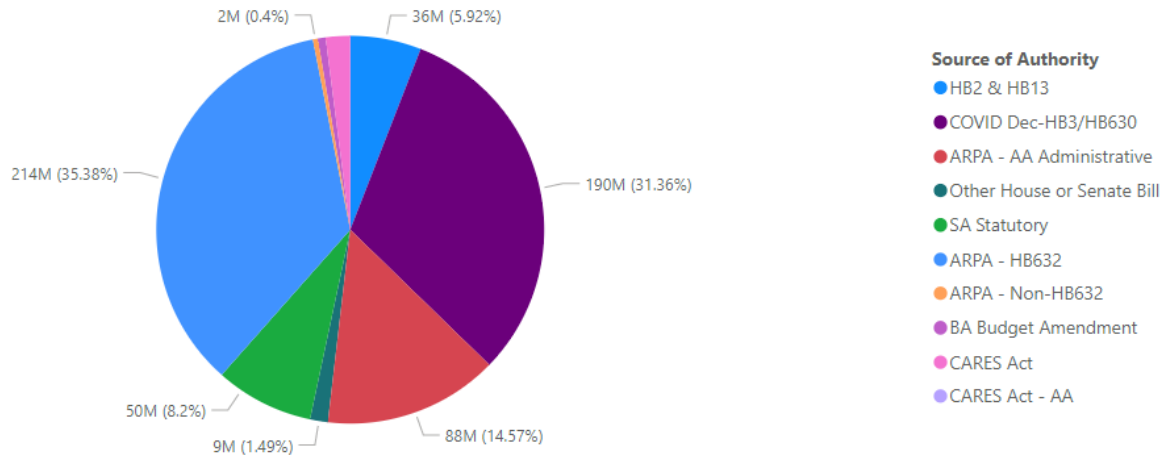


DEPARTMENT OF COMMERCE

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	Modified Budget	Expended Budget	Percent Expended
HB2 & HB13	35,766,284	10,796,870	30.2%
BA Budget Amendment	3,984,986	1,894,897	47.6%
Other House or Senate Bill	8,984,360	454,837	5.1%
SA Statutory	49,588,423	25,201,463	50.8%
CARES	12,277,704	1,930,638	15.7%
CARES II	189,557,415	44,667,063	23.6%
ARPA	304,369,742	26,828,611	8.8%
Total	604,528,914	111,774,378	18.5%

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 (COMM) total approximately \$4.0 million in federal special revenue funds, of which \$1.9 million or 47.6% has been 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 \$981,000 or 88.0% 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 \$119,000 or 34.7% expended)
- Project-Based Section 8 Housing – Provides housing to low-income households in privately owned and managed rental units (\$1.4 million appropriated, and \$154,000 or 11.4% expended)
- State Trade Expansion Program (STEP) – Supports small businesses who participate in foreign trade and markets (\$1.2 million appropriated, and \$620,000 or 53.8% 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 \$455,000 or 5.1% has been 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 has been expended.

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, \$275,000 or 5.0% has been expended.

HB 648 – Coal Ash Markets Investigation Program

HB 648 requires COMM to establish a Coal Ash Markets Investigation Program to determine economically viable markets to reuse coal ash. COMM is in the process of hiring a consultant to conduct a targeted market analysis to implement this bill, and as soon as the consultant is hired, expenses will incur. As of the end of May, \$25,000 was appropriated, and no expenditures have been made.

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 remains in FY 2022, and \$113,000 or 82.1% has been expended.

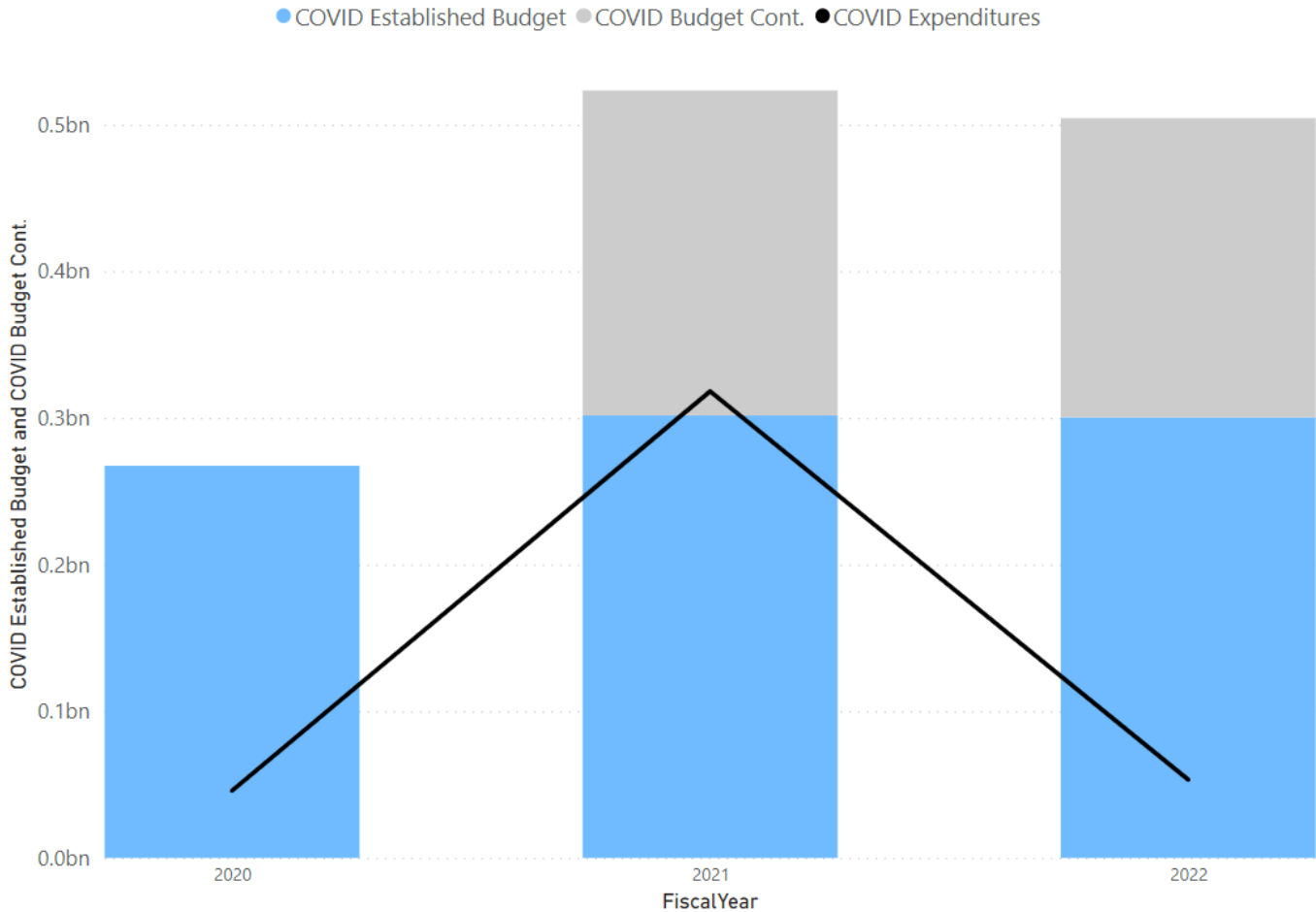
HB 660 – Made-in-Montana Program

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 \$5,000 has been expended. The Department of Commerce is still in the process of hiring an employee to implement this bill.

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, 2025 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.

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 end of May, \$288,000 has been expended.

Total ARPA appropriations increased by approximately \$191,000 since the March IBC meeting. This is due to the Montana Heritage Commission receiving a grant funded through ARPA from the National Endowment for the Humanities. This funding will be used for the African American Heritage on Montana's Mining Frontier project.

Statutory Appropriations

Statutory appropriations total approximately \$49.6 million in FY 2022, of which \$25.2 million or 50.8% has been 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

To date, the agency has expended \$1.0 million or 58.1%.

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 has \$4.0 million in statutory appropriations, of which \$666,000 or 16.6% has been expended.

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 \$69,000 or 4.3% has been expended.

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 total \$15,000 and have been entirely expended.

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 \$39.1 million in FY 2022, of which \$22.2 million or 56.9% has been expended. Appropriations increased by \$5.0 million since the March IBC meeting due to higher than anticipated revenues.

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 total \$10,700, and \$8,400 or 78.1% has 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 total \$584,000 in FY 2022, and \$563,000 or 96.3% has 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 has been appropriated in FY 2022, and \$458,000 or 22.0% has been expended.

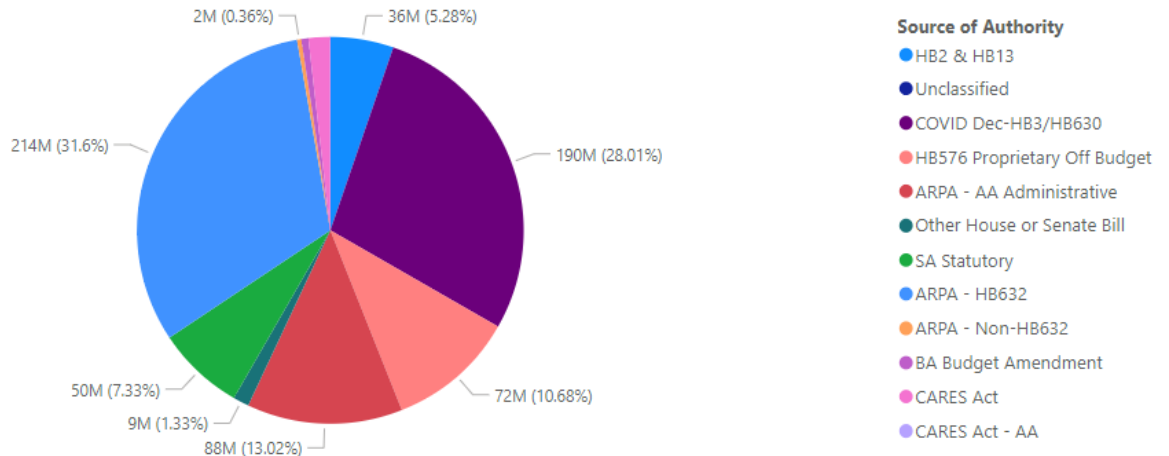
Board of Horse Racing (BOHR; 23-4-105, MCA)

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 \$250,000 or 65.8% has been 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	35,766,284	10,796,870	30.2%
BA Budget Amendment	3,984,986	1,894,897	47.6%
HB576 Proprietary Off Budget	72,269,678	60,072,210	83.1%
Other House or Senate Bill	8,984,360	454,837	5.1%
SA Statutory	49,588,423	25,201,463	50.8%
Unclassified	1,107		
CARES	12,277,704	1,930,638	15.7%
CARES II	189,557,415	44,667,063	23.6%
ARPA	304,369,742	26,828,611	8.8%
Total	676,799,699	171,846,588	25.4%

Report Period

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

Non-budgeted proprietary funding totals approximately \$72.3 million for FY 2022, of which \$60.1 million or 83.1% has been expended. This funding is for the following:

- Montana Facility Finance Authority – \$800,000 appropriated, and \$563,000 or 70.4% expended
- Board of Housing – \$61.0 million appropriated, and \$53.9 million or 88.4% expended
- Board of Investments – \$8.1 million appropriated, and \$7.2 million or 89.3% expended
- Centralized Services Program in the Director’s Office – \$2.4 million appropriated, and \$2.1 million or 87.2% 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 March 1, 2022, through June 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	March Modified Budget	June Modified Budget	Net Modifications
<input type="checkbox"/> Department of Commerce	35,706,599	35,766,284	59,685
BOARD OF HORSE RACING	200,733	200,733	
BRAND MT	358,486	358,486	
BUSINESS MT	6,311,949	6,371,803	59,854
COMMUNITY MT	13,913,902	13,913,792	-110
DIRECTORS OFFICE	1,315,512	1,315,512	0
HOUSING MT	11,336,017	11,336,017	0
MONTANA HERITAGE COMMISSION	2,270,000	2,269,941	-59
Total	35,706,599	35,766,284	59,685
Acct & Lvl 1 DESC	March Modified Budget	June Modified Budget	Net Modifications
<input type="checkbox"/> 61000 Personal Services	4,843,990	4,843,675	-315
<input type="checkbox"/> 62000 Operating Expenses	6,901,850	6,656,850	-245,000
<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	
<input type="checkbox"/> 68000 Transfers-out	241,124	241,124	
<input type="checkbox"/> 69000 Debt Service	4,132	309,132	305,000
Fund Type	March Modified Budget	June Modified Budget	Net Modifications
<input type="checkbox"/> 01 General	4,542,006	4,601,857	59,851
<input type="checkbox"/> 02 State/Other Spec Rev	10,216,735	10,216,599	-136
<input type="checkbox"/> 03 Fed/Other Spec Rev	20,947,858	20,947,828	-30

The Department of Commerce had a modification that reduced the HB2 budget by \$315. Per 39-71-403(1)(b)(iv), MCA, when workers' compensation premiums are lower than the previous year, state agencies shall reduce personal services appropriations by the amount of the premium reduction. To track the changes in appropriation authority, total appropriations are not reduced, instead the Governor's Office of Budget and Program Planning (OBPP) requires state agencies to:

- Reduce HB 2, statutory, and proprietary appropriations
- Create a separate offsetting entry on the financial statements in the same amount using an identifying number for workers' compensation entries

The offsetting entries are identified as "frozen" appropriations, which means the appropriations will not be spent unless authorized by OBPP. This modification reduced personal services in Business MT, Community MT,

and the Montana Heritage Commission from the general fund, state special revenue, and federal special revenue.

The Department of Commerce received a transfer of \$60,000 HB 2 funding in the Business MT Program to conduct an efficiency study of the State Tribal Economic Development program (STED). Due to the fast-approaching end of the fiscal year, the agency was unable to conduct this study in time. Funds were reverted back to the Office of Budget and Program Planning on June 7, 2022.

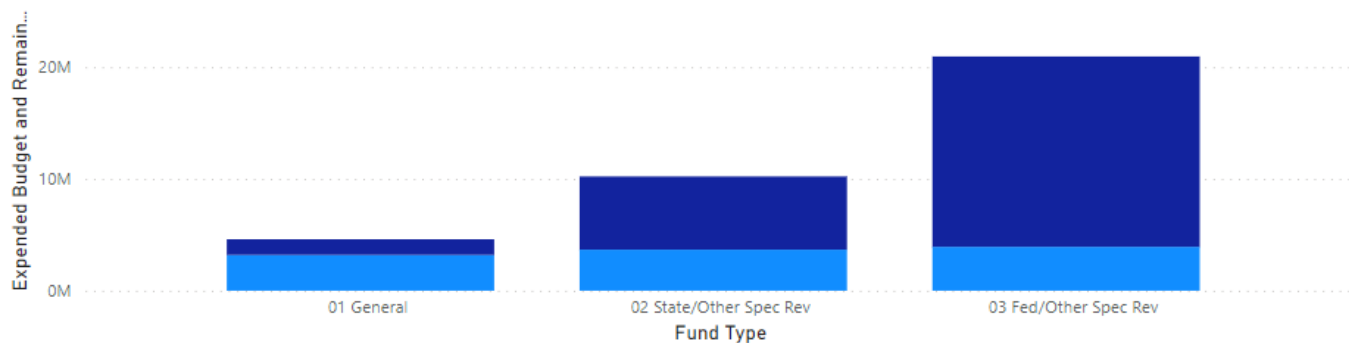
Additionally, the Department of Commerce transferred \$305,000 from operating expenses to debt services. Accounting guidance, which became effective in FY 2022, requires building leases with private landlords to be reclassified in the accounting system. Thus, to meet rent payments under these types of lease agreements, the agency was required to transfer authority to debt services.

HB 2 APPROPRIATION AUTHORITY

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

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

● Expended Budget ● Remaining Budget



acclv1_descr	Modified Budget	Expended Budget	Percent Expended
Personal Services	4,843,675	3,624,335	74.8%
Operating Expenses	6,656,850	3,150,252	47.3%
Equipment & Intangible Assets	250,000	130,000	52.0%
Capital Outlay	200,000	45,500	22.8%
Local Assistance	46,000		
Grants	23,219,503	3,326,873	14.3%
Transfers-out	241,124	240,000	99.5%
Debt Service	309,132	279,910	90.5%

Program Name	Modified Budget	Expended Budget	Percent Expended
BOARD OF HORSE RACING	200,733	102,575	51.1%
BRAND MT	358,486	33,907	9.5%
BUSINESS MT	6,371,803	3,572,083	56.1%
COMMUNITY MT	13,913,792	1,668,379	12.0%
DIRECTORS OFFICE	1,315,512	1,042,585	79.3%
HOUSING MT	11,336,017	2,665,886	23.5%
MONTANA HERITAGE COMMISSION	2,269,941	1,711,455	75.4%
Total	35,766,284	10,796,870	30.2%

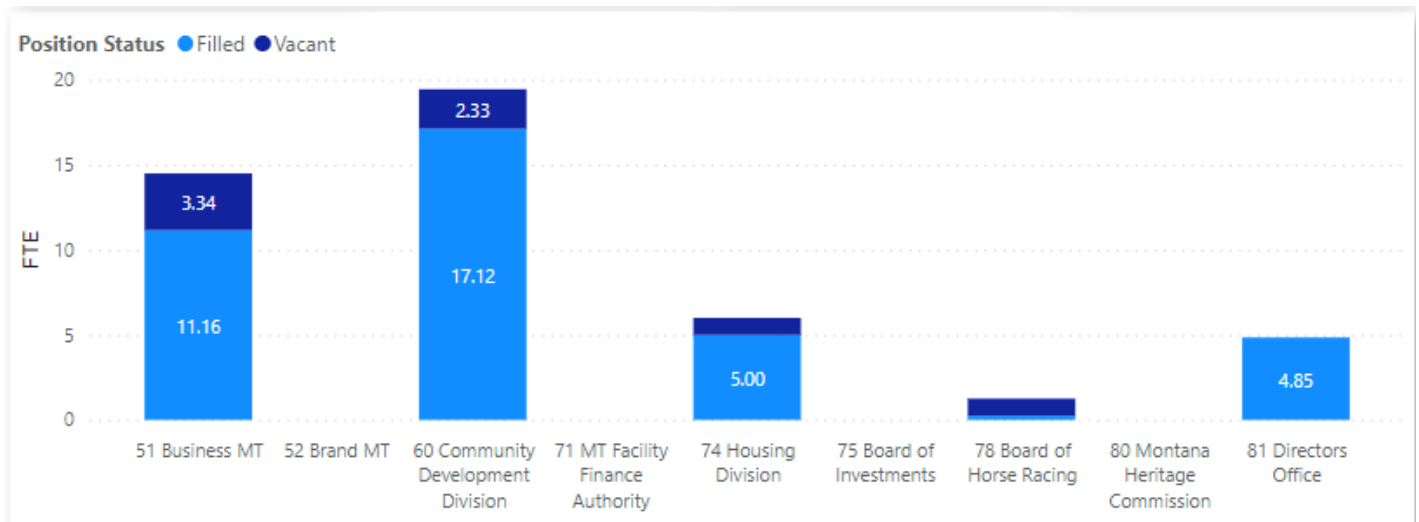
The Department of Commerce’s HB 2 modified budget for FY 2022 totals \$35.8 million, of which \$10.8 million or 30.2% has been expended as of the end of May. The majority of COMM’s HB 2 budget is in federal special revenue for grants. The Brand MT, Community MT, and Housing MT Divisions have lower expenditures at 9.5%,

12.0%, and 23.5%, respectively. Lower expenditures in Community MT and Housing MT are due to the programs being primarily funded with ongoing federal funds that are for multi-year projects. Brand MT has funding for legislative audit services and private funds derived from private/public partnerships, including the Governor’s Tourism Conference, which has not taken place yet.

Personal Services

Personal service expenditures account for 13.5% of the Department of Commerce’s HB 2 modified budget. As of the end of May, \$3.6 million or 74.8% has been expended.

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



The Department of Commerce had 16.66%, or 7.67 FTE, of its HB 2 positions vacant as of May 1, 2022, which includes:

- 3.34 FTE in the Business MT Division (formerly Office of Tourism and Business Development)
- 2.33 FTE in the Community Development Division
- 1.00 FTE in the Housing MT Division
- 1.00 FTE in the Board of Horse Racing

For a detailed report on vacancies by job type, please refer to the attached vacant FTE report. Much of the Department of Commerce’s personal services are funded with other sources such as proprietary funding. The vacancy rate for positions of all funding sources in the agency is 14.0% with the majority of the vacancies in the Housing MT Division.

Next Steps for Personal Services Reporting

In upcoming Quarterly Financial Reports, the LFD will begin the process of a more comprehensive look at personal services. The LFD will compare two executive “snapshots” -- July 2020 and July 2022. The analysis will identify adjustments adopted by the legislature in 2021 and modifications made by the agencies, within the confines of budget law.

The September Quarterly Financial Report will provide the complete comparison from July 2020 to July 2022. Ultimately, the analysis will result in a description of all the components that will be part of the executive's decision package one (DP 1) 2025 biennium budget request. This work will prepare legislators for budget deliberations in the 2023 session. For a review of how DP 1 works and snapshot components, please read this [short brochure](#) from 2019.

Operating Expenses

Operating expenditures account for 18.6% of the Department of Commerce's HB 2 modified budget. As of the end of May, \$3.2 million or 47.3% has 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 64.9% of the Department of Commerce's HB 2 modified budget. As of the end of May, \$3.3 million or 14.3% has 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.