

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	6,779,625	5,779,951	4,289,599	12,559,576	8,269,977	192.79%
Total Costs	\$4,532,857	\$9,119,960	\$12,670,837	\$11,884,411	\$13,652,817	\$24,555,248	\$10,902,431	79.85%
General Fund	1,844,043	1,861,084	5,758,968	4,758,880	3,705,127	10,517,848	6,812,721	183.87%
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	\$12,670,837	\$11,884,411	\$13,652,817	\$24,555,248	\$10,902,431	79.85%

Program Description

The Business Resources Division (BRD) is comprised of a variety of programs aimed at improving, enhancing, and diversifying Montana's economic and business climate. Working closely with the private sector, the Governor's Office, the legislature, economic and community development partners, other department divisions, state agencies, and federal and private programs, the division strives to enhance the economic base of Montana through business creation, expansion, and retention efforts.

Program Highlights

Business Resources Division Major Budget Highlights	
<ul style="list-style-type: none"> ◆ General fund increases mainly due to: <ul style="list-style-type: none"> • Continued funding of programs that have been funded as one-time-only in previous biennia including Indian county economic development and primary business sector training and new proposals ◆ New proposals include: <ul style="list-style-type: none"> • Montana Small Business Innovation Research Program (SBIR) and the Small Business Technology Transfer Program (STTR) matching fund • Biomedical Research Grants • Native American native language preservation 	

Program Discussion

Personal services changes are due to increases and partially offsetting decreases, including:

- Broadband pay adjustments
- Restoring vacancies from an overall vacancy savings rate in the base year of 23.3% compared to a budgeted 4% rate in the 2015 biennium
- Additional vacancy savings of 2% for HB 2 positions recorded in BRD's budget. The legislature granted the agency authority to allocate the reduction among all HB 2 programs within the agency
- Changes in the level of support for eliminated and additional FTE including:
 - 1.00 FTE for the Indian Country Economic Development Program
 - 2.00 FTE for the Primary Business Sector Training Program

- 0.50 FTE for the Small Business Innovation Research Program (SBIR) and the Small Business Technology Transfer Program (STTR)
- (1.50) FTE reduction for vacant positions that are no longer funded in this budget

Operating costs increase due to adjustments to costs for administrative expenses such as loans for community development block grants and increased appropriation authority for federal grants.

General fund for the program increases significantly due in part to restoration of one-time-only funding for:

- Economic development for tribal businesses - \$1.6 million
- Primary business sector grants for new and existing Montana businesses to train new employees - \$1.2 million

In addition, the legislature approved \$0.75 million for match funding for the federal SBIR/STTR programs, \$1.0 million to provide grants for biomedical research, \$2.0 million to support a Native American language preservation program, and \$0.1 million for a grant to the Montana Manufacturing Extension Center at MSU-Bozeman.

State special revenues increases are related to administrative cost adjustments and use of the Employment Security Account to support the Primary Business Sector Training Program. Federal revenues increase due to additional support for the various federal grant programs within the division.

Funding

The following table shows program funding by source of authority for the 2015 biennium as adopted by the legislature.

Total Department Of Commerce Funding by Source of Authority 2015 Biennium Budget - Business Resources Division							
Funds	HB 2	Non-Budgeted Proprietary	Statutory Appropriation	Total All Sources	% Total All Funds	MCA Reference	Statutory Category
General Fund	\$10,517,848	\$0	\$9,499,862	\$20,017,710	38.9%		
State Special Total	\$5,966,101	\$0	\$15,265,748	\$21,231,849	41.3%		
02090 Business Asst-private	\$180,017	\$0	\$0	\$180,017	0.3%		
02094 Distressed Wood Match	\$0	\$0	\$24,030	\$24,030	0.0%	90-1-504	Direct
02100 Distressed Wood State	\$0	\$0	\$999,532	\$999,532	1.9%	90-1-50	Direct
02116 Accommodation Tax Account	\$0	\$0	\$300,000	\$300,000	0.6%	15-65-121	Direct
02210 Microbusiness Admin Acct	\$203,797	\$0	\$0	\$203,797	0.4%		
02212 Microbusiness Loan Acct	\$3,972,191	\$0	\$0	\$3,972,191	7.7%		
02258 Employment Security Account	\$1,600,000	\$0	\$0	\$1,600,000	3.1%		
02557 Research & Commercialization	\$0	\$0	\$7,300,000	\$7,300,000	14.2%	90-3-1003	Direct
02563 Nat'l Dev. Cncl Training Funds	\$90	\$0	\$0	\$90	0.0%		
02771 Economic Development Trust Fund	\$0	\$0	\$6,642,186	\$6,642,186	12.9%	90-1-205	Direct
02848 Sbdc Private Revenue Nonfed	\$10,006	\$0	\$0	\$10,006	0.0%		
Federal Special Total	\$8,071,299	\$0	\$2,140,402	\$10,211,701	19.8%		
03059 Community Development Block	\$5,211,065	\$0	\$0	\$5,211,065	10.1%		
03061 Eda Revolving Loan Fund	\$801,020	\$0	\$0	\$801,020	1.6%		
03092 Distressed Woods Federal	\$0	\$0	\$2,140,402	\$2,140,402	4.2%	90-1-504	Direct
03207 Small Business Dev. Centers	\$1,473,098	\$0	\$0	\$1,473,098	2.9%		
03233 Instep/epscor Funds	\$50,018	\$0	\$0	\$50,018	0.1%		
03932 Cdbg Rlf	\$536,098	\$0	\$0	\$536,098	1.0%		
Total All Funds	\$24,555,248	\$0	\$26,906,012	\$51,461,260	100.0%		
Percent - Total All Sources	47.7%	0.0%	52.3%				

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 continued funding for economic development programs that had been designated as one-time-only in the previous biennia.

State special revenues include authority for loans made through 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, including general fund of \$7.3 million for the research and commercialization account. The state special revenue funds in the research and commercialization account are also statutorily appropriated resulting in the same funds being appropriated twice. 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 in accordance with state accounting policy, 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	35.07%	4,532,857	4,532,857	9,065,714	36.92%
Statewide PL Adjustments	150,022	148,460	298,482	2.84%	358,752	352,039	710,791	2.89%
Other PL Adjustments	(36,952)	(35,468)	(72,420)	(0.69%)	3,222,775	3,443,056	6,665,831	27.15%
New Proposals	3,801,855	2,801,845	6,603,700	62.79%	4,556,453	3,556,459	8,112,912	33.04%
Total Budget	\$5,758,968	\$4,758,880	\$10,517,848		\$12,670,837	\$11,884,411	\$24,555,248	

Present Law Adjustments

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

	-----Fiscal 2014-----					-----Fiscal 2015-----				
	FTE	General Fund	State Special	Federal Special	Total Funds	FTE	General Fund	State Special	Federal Special	Total Funds
Present Law Adjustments										
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 costs 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

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 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	
DP 5110 - Native Language Preservation (Rsted/Biennial/OTO)											
51	0.00	1,000,000	0	0	1,000,000	0.00	1,000,000	0	0	1,000,000	
Total	2.00	\$3,801,855	\$785,464	(\$30,866)	\$4,556,453	2.00	\$2,801,845	\$785,497	(\$30,883)	\$3,556,459	

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 revenue 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 1.50 FTE that were vacant in FY 2012 reducing personal services. The legislature further increased funding for operating expenses for the program.

DP 5110 - Native Language Preservation (Rst/Biennial/OTO) - The legislature provided \$1.0 million in general fund each year of the biennium for a pilot program to preserve Native American languages of the various tribes in Montana. As part of the project, native speakers fluent in the Native American languages will be recorded and written materials developed to allow younger generations of the various tribes and others to develop language skills for the various Native American languages. The funding is designated as one-time-only so that the project results may be reported to the next legislature and other funding sources for ongoing projects identified. The State-Tribal Economic Development Commission is to administer the program.