

# The Legislative Fiscal Division

Presents:

Profile of...

## Department of Commerce

State of Montana



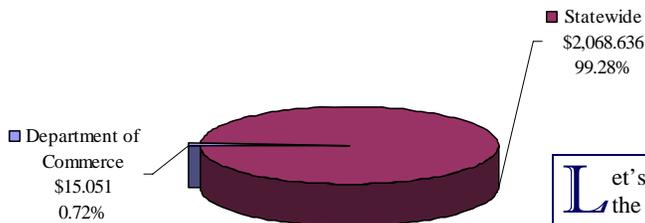
Oct. 2008

This agency profile will discuss...

- structure and funding
- primary functions and
- historical expenditures

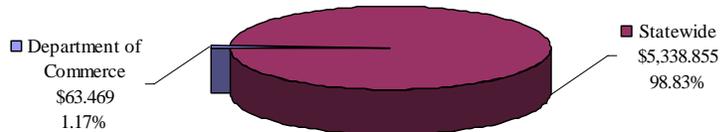
The profile also includes information on how decision makers can effect change in the agency's expenditures along with a listing of pertinent statistics.

### General Fund Statewide Comparison FY 2008 (In Millions)



Let's begin by putting the agency's size in perspective by comparing it to state government as a whole.

### Total Funds Statewide Comparison FY 2008 (In Millions)



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Section A  
General Government



## What the Agency Does

The Department of Commerce works with economic and community development organizations, businesses, communities, governmental entities, elected officials, and the public to diversify and expand the state's economic base through business creation, expansion and retention and improvement of infrastructure, housing and facilities.



## How Services Are Provided

The Department of Commerce provides these services through a structure consisting of nine divisions and a total of 194.91 FTE performing the following functions:

1. **Business Resources Division** - provides statewide, regional and local services to improve, enhance and diversify Montana's economy, including the following five programs and bureaus:
  - **Board of Research and Commercialization Technology** - grants to support research projects with potential to lead to commercialization of business in Montana
  - **MT Capital Investment Board** – promotes equity capital investments in Montana
  - **Regional Development Bureau** – supports and initiates regional economic development through technical assistance, education, job training and financing programs
  - **Small Business Development Bureau** – supports creation and maintenance of small businesses in communities throughout Montana
  - **Census and Economic Information Center Bureau** – collects and publishes data to support economic decisions
  - **Trade and International Relations Bureau** – supports expansion of Montana business into international trade and maintains the State's overseas trade offices

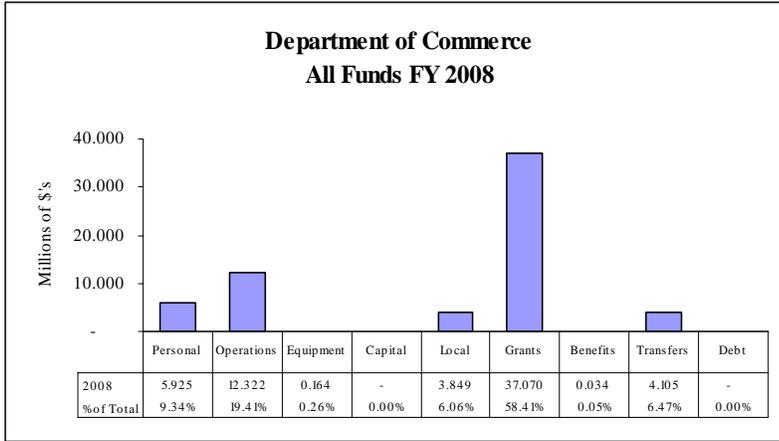


2. **Montana Promotion Division** - marketing and promotion of Montana tourism and film industry
3. **Energy Infrastructure Promotion and Development Division** – facilitates and promotes energy infrastructure development in Montana
4. **Community Development Division** – supports community infrastructure development and provides technical assistance through five programs:
  - **Community Development Block Grants (CDBG)** - federal fund grants to municipalities
  - **Treasure State Endowment Program** - state fund grants to municipalities
  - **Coal Board** - state fund grants to remediate effects of coal mining on communities
  - **Hard Rock Mining Impact Board** - provides technical assistance, analysis, mitigation and mediation services to local governments, hard rock mining developers where potentially adverse public fiscal impacts from large-scale development are identified
  - **Community Technical Assistance Program (CTAP)** - provides technical assistance to county, municipal, state, and regional planning commissions, zoning commissions, parks or recreation boards, community development groups, community action agencies, and similar agencies created for the purposes of aiding and encouraging orderly, productive, and coordinated development of the communities of the state



5. **Facilities Finance Authority** – assists non-profit healthcare and human service facilities, and pre-release centers acquire low-interest and low-cost capital financing
6. **Housing Division** – supports safe and affordable housing in communities throughout Montana through rental assistance, construction financing, rehabilitation financing, and low interest mortgages. Division is funded almost exclusively with federal and proprietary enterprise funds as follows:
  - **Board of Housing (BOH)** – The **Homeownership Programs** assist low and moderate income Montanans in purchasing a home (\$195 million in mortgage financing annually). **Low Income Housing Tax Credits** is a federal income tax credit for owners of qualifying rental housing. (\$20 million in equity financing annually). The **Reverse Annuity Mortgage (RAM) Program** provides low income senior households affordable rates on a reverse mortgage (\$1.5 million of mortgage financing annually)
  - **Section 8 Housing - Section 8** is financed by HUD and administered by the Housing Division. Section 8 pays a portion of the tenants rent that they cannot afford (\$35 million of rent subsidy annually)
  - **HOME - The HOME program** is a federally funded block grant program administered by the Housing Division to create affordable housing for low-income households (\$4.8 million of grants annually)
7. **Board of Investments** – invests State of Montana cash assets to maximize return on investment, also invests cash assets of local governments, and administers loan programs that support Montana businesses and municipalities
8. **Montana Heritage Commission** – manages and preserves historic cultural properties and artifacts for the State of Montana, notably the Virginia City and Nevada City holdings, and Reeder’s Alley in Helena
9. **Directors Office / Management Services Division** - provides executive, administrative, fiscal, legal, and policy support for all department divisions, bureaus, and programs; the Montana Council on Developmental Disabilities (MCDD) is also attached





## How Services are Funded

The Department of Commerce is funded primarily with federal special revenue funds (37.34 percent) from sources such as the Community Development Block Grant (CDBG), Small Business Administration (SBA), and HUD Section 8 program funds.

State special revenue funds are 38.95 percent of the total. Sources include the Treasure State Endowment (TSEP) account, the lodging facility use tax (bed tax) account, the hard rock mining impact account, and the oil, gas, and coal natural resources account which supports Coal Board programs as well as research and commercialization grants/loans.

General fund represents 23.71 percent of department funding, and is used for the required match in the federal CDBG and SBA programs, and to support the Trade and International Relations Bureau as well as Census and Economic Information Center, the Energy Infrastructure Promotion and Development Division, and the Community Technical Assistance program.

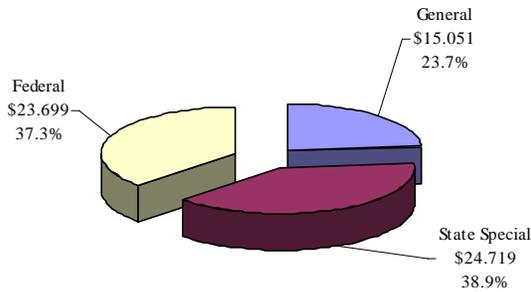


Statutorily funded programs include the Montana Promotions Division, (from lodging facility use tax revenue), the Board of Research and Commercialization and economic development programs in the Business Resources Division, (from coal tax interest revenue), and the Montana Heritage Commission, (from lodging facility use tax revenue).

Proprietary type funds, which do not appear in the table, support the Housing Division (Board of Housing and Section 8 programs), total about \$45 million and the Facilities Finance Authority, the Board of Investments, and the Directors Office / Management Services Division.



**Department of Commerce Funding by Source  
FY 2008 (In Millions)**



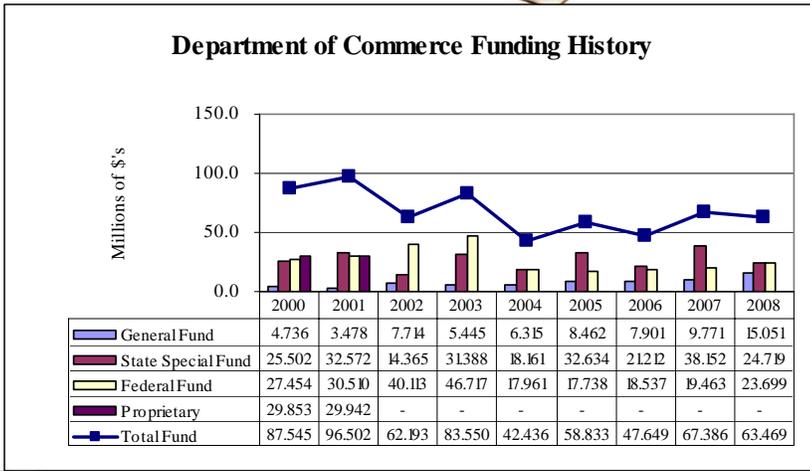


## Related Data & Statistics

Element	2004	2008	Significance of Data
Total Research and Commercialization funding	\$12.95 million	\$8.04 million	Variations in applications and funding availability
CDBG Economic Development Project Investment	\$21.55 million	\$38.02 million	Growth of community based projects
Indian Country Economic Development (ICED)	N/A	152	Jobs created/retained/trained
Number of Nonresident Visitors	9.8 million (CY 2004)	10.7 million (CY 2007)	Impacts of tourism promotion
Amount of Out-of State Tourism Dollars (MPD)	\$1.9 billion (CY 2004)	\$3.1 billion (CY 2007)	Impacts of tourism promotion
Number of CDBG Public Facilities Grants Awarded	7	10	Program growth
Amount of Single Family Mortgage (HD)	\$155.57 million	\$206.83 million	Increased availability of home ownership
Amount of Section 8 Rental Assistance	\$33.7 million	\$35.0 million	Low-income assistance provided
Amount of Section 8 Housing Customers	8,382	8,401	Low-income assistance provided
Total Assets Invested by the Board of Investments	\$9.0 billion	\$13.9 billion	Book value of Investments, Growth of program



## Expenditure History



## Reasons for Expenditure Growth/Change

Department of Commerce funding has remained relatively steady over the last eight years. Fluctuation between odd and even years is due to the biennial appropriation of several funds. Expenditure increases in FY 2007 and 2008 include increases in funding for existing programs, the addition of a \$2 million grant for biomedical research, and additional FTE positions for various programs.



## Agency Functions, State Purposes & Customers Served

The Department of Commerce is structured to perform certain functions in support of general state government purposes. The following lists the major functions, purpose of provision of the functions, and primary customers served.

Policy Objectives	Major Agency Functions	Customers
<p>Reduction of incidence and impacts of poverty/disability</p> <p>Workforce support</p> <p>Economic/Business Development</p>	<ul style="list-style-type: none"> <li>• Affordable housing construction/rehab</li> <li>• Affordable housing rental assistance</li> <li>• Affordable housing mortgage assistance</li> <li>• Developmental Disability Council</li> <li>• Job training grants</li> <li>• Research &amp; commercialization grants</li> <li>• Business financing &amp; technical assistance</li> <li>• Economic development grants</li> <li>• Trade and export assistance</li> <li>• Census and economic data reports</li> <li>• Tribal economic development</li> <li>• Montana tourism promotion and marketing</li> <li>• Montana film promotion and marketing</li> <li>• Energy Promotion &amp; Development</li> <li>• Financing for health care facilities</li> </ul>	<ul style="list-style-type: none"> <li>• Housing projects</li> <li>• Low income renters</li> <li>• Low income homeowners</li> <li>• Disable Community Council</li> <li>• Workers and employers</li> <li>• Businesses and researchers</li> <li>• Businesses &amp; individuals</li> <li>• Businesses &amp; individuals</li> <li>• Export businesses &amp; individuals</li> <li>• Business, individuals and government</li> <li>• Business, individuals and government</li> <li>• Tourism businesses</li> <li>• Film and tourism businesses</li> <li>• Business and government</li> <li>• Hospitals and health centers</li> </ul>



Policy Objectives	Major Agency Functions	Customers
Infrastructure Development	<ul style="list-style-type: none"> <li>Grant funding (TSEP &amp; CDBG)</li> <li>Remediation grants (Coal Board/Hard Rock Mining Board)</li> <li>Energy Promotion &amp; Development</li> <li>Loan Funding</li> <li>Investment of cash assets</li> <li>Board of housing affordable housing planning</li> </ul>	<ul style="list-style-type: none"> <li>Municipal/Tribal governments</li> <li>Municipal/Tribal governments</li> <li>Business and government</li> <li>Local governments</li> <li>Government entities</li> <li>Communities and residents</li> </ul>
Preservation and Enhancement of Cultural/Recreational Resources	<ul style="list-style-type: none"> <li>Manage historic properties</li> </ul>	<ul style="list-style-type: none"> <li>Montana citizens and tourist industry</li> </ul>
General Operation of State Government	<ul style="list-style-type: none"> <li>Executive and administrative support</li> </ul>	<ul style="list-style-type: none"> <li>Department of Commerce</li> </ul>

### How The Legislature Can Effect Change



In order to change expenditure levels and/or Department of Commerce activity, the legislature might address laws regarding:

- Grant and Loan/Financing program priorities – changes to the funding priorities that have a major impact on overall expenditures. Such changes may include defining eligibility criteria, identifying specific projects that are preferred and setting minimum or maximum amounts for grants and loans
- Economic development objectives – defining specific economic development goals that provide the agency with overall policy direction and guidance for measureable achievements
- Diversification and expansion of economic base - examining existing legislation or creating new legislation to achieve the greatest return for the public investment
- Infrastructure development priorities – These programs can be designed or amended by legislation to prioritize the types of infrastructure, the locations of projects and the amount of funding that will be available per project



## Statewide Factors with Impact

In addition to the factors above, a number of factors common to many agencies will also impact changes in expenditures over time.

State FTE - state employees perform virtually all functions of the Department of Commerce, as contract services account for just 1.7% of on-budget expenditures. Therefore, any decisions that change FTE will have a direct and immediate impact on the deliver of services/functions by the department. Since personal service costs account for only 6.1% of on-budget expenditures, these costs are not a primary driver of total department costs. Factors affecting personal service costs include:

- Professional/technical/educational requirements of FTE job descriptions
- Cost of benefits
- Years of service or longevity

Economic factors

- Trade and export business
- Bond rating and bond interest rates



## Statutory References

The primary statutory references defining duties and responsibilities of the department are found at the following locations.

The Department is mandated in Title 2, Chapter 15, Part 18, MCA.



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50 copies of this public document were published at an estimated cost of \$1.76 per copy, for a total cost of \$88.00. This includes \$88.00 for printing and \$0.00 for distribution.

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