

---

**For the Economic Affairs Committee**

Department Head: Pam Haxby-Cote, Director (appointed by governor with Senate approval)

Description and Responsibilities:

- Responsible for economic and social studies and data gathering/synthesis related to planning and economic development, including aid to regional development groups/planners.
- Advises and assists Montana business/labor and local/tribal communities in economic development, including compiling and maintaining information on development sites and preservation of historical sites.
- Cooperates with and provides technical assistance to local governments and their planning or zoning commissions or other agencies involved in community development and gathers studies and information necessary to provide development assistance.
- Manages microbusiness and other business development loan programs and provides technical assistance and training.
- Oversees community infrastructure grant program.
- Coordinates with tribal governments and the director of Indian affairs on promoting Indian tourism activities and takes lead on state recreational planning and development related to private recreational investment.
- Serves as official state liaison between persons interested in new economic enterprises and state and local groups and tribal governments.
- Assists in publicizing state facilities/attractions.
- Studies and promotes market expansion of Montana products, including training and assistance to manufacturers of local products.
- May provide housing surveys, information on available governmental housing assistance programs, and research on housing design.
- Facilitates all energy development/jobs (specific mention of alternative energy in 17-6-403).
- Handles coal impact grants (through Coal Board).
- Establishes and maintains a central depository of Montana census and economic information.

Administratively Attached Entities:

- Board of Horseracing, under 2-15-1809, MCA.
- Board of Housing, under 2-15-1814, MCA.
- Board of Investments, under 2-15-1808, MCA.
- Board of Research and Commercialization Technology, under 2-15-1819, MCA.
- Coal Board, under 2-15-1821, MCA.
- Economic Development Advisory Council, under 2-15-1820, MCA.
- Hard-Rock Mining Impact Board, under 2-15-1822, MCA.
- Montana Council on Developmental Disabilities, under 2-15-1869, MCA.
- Montana Facility Finance Authority, under 2-15-1815, MCA.
- Montana Heritage Preservation and Development Commission, under 22-3-1002, MCA.
- State-Tribal Economic Development Commission, under 90-1-131, MCA.

Legislative Audits:

- [Financial Compliance Audit](#) for fiscal years ending June 30, 2015, for Department of Commerce. The audit had five recommendations for which the Department of Commerce concurred on three. The two recommendations not concurred in related to the Board of Horseracing, one regarding a perceived conflict of interest and the other related to accounting for simulcast revenues. On the conflict of interest concern, Commerce reacted by seeking (and receiving) a change in state law from the 2017 Legislature to address the perceived conflict of interest. Recommendations with which Commerce concurred involved more closely following federal laws related to housing assistance programs and for improved monitoring of travel reimbursements.
- Board of Housing [Financial](#) Audit for the year ending June 30, 2016, and a separate [Financial Audit](#) for the year ending June 30, 2015. The 2016 report included a recommendation for enhanced internal controls related to note disclosures.
- Montana Facility Finance Authority [Financial Audit](#) for the two fiscal years ending June 30, 2016. The

---

**For the Economic Affairs Committee**

audit noted some internal control concerns and recommended staff receive training in generally accepted accounting principles.

- A [Performance Audit](#) of the Montana Heritage Commission, reported in April 2017, which stated that the organization appeared to provide sustainable historic preservation. Of the recommendations for action, the audit suggested training and development of a job description and materials to be provided to appointed commissioners. The audit also suggested more documentation and specifics related to business plan developments.
- [Performance Audit](#) of Film Credits: The Big Sky on the Big Screen Act, reported in September 2011.

Bills Passed During 2017 Session Impacting the Department of Commerce:

- [HB 26](#) - Revises Board of Housing loan-servicing terms
- [SB 13](#) - Revises Board of Horseracing executive secretary duties.
- [SB 303](#) - Revises Board of Housing Montana Veterans' Home Loan Mortgage Program to allow eligible veterans to use minimum contribution toward paying closing costs and to borrow from the Montana Veterans' Home Loan Mortgage Program the maximum loan amount allowed by the mortgage lender.
- [SB 307](#) - Generally revising laws related to school funding, which provided changes in educational funding and repealed the quality schools facility grant program that the Department of Commerce had overseen.
- [SB 309](#) - Revises economic development laws related to Indian Country by decreasing by 0.5% the percentage of funding going to the Department of Commerce from the lodging facility tax and assigning that amount to the State Tribal Economic Development Commission for activities in the Indian tourism region. The Commission is administratively attached to the Department of Commerce. Also adds one tribal member from the private sector to the Tourism Advisory Council.
- [SR 66](#) - Confirming appointees to the Board of Housing, among other appointments

*Agency Bills That Failed During 2017 Session:*

None

Economic Affairs Interim Committee Areas of Interest

- The economic development programs funded through interest income on the coal severance tax permanent fund as spelled out in 15-35-108, MCA, are to sunset on June 30, 2019. These include \$1.1 million to the Department of Commerce to be distributed to the following recipients:
  - \$50,000 to the Small Business Innovative Research Program;
  - \$125,000 for a Small Business Development Center;
  - \$200,000 for the Montana Manufacturing Extension Center at Montana State University-Bozeman;
  - \$300,000 for export trade enhancement; and
  - \$425,000 for Certified Regional Development Corporations.
- The Department of Commerce awarded a \$7 million annual marketing contract to a Wisconsin-based ad agency in 2016 and renewed the agreement for an additional 12 months. The award has raised concerns over an out-of-state firm not having sufficient local staffing.
- The Department of Commerce awarded approximately \$500,000 for the Montana Cowboy Museum in Big Timber, and there is no clear indication of if or when the Museum will open.

*Budgets*

If 10% budget reductions are put into place for the Department of Commerce, that would amount to about \$725,503 from the department's general fund allocation. Two proposed cuts were \$10,000 from the Brownfield Spills budget and \$200,000 from the Montana Manufacturing Extension Center. Both proposals would need statutory changes.

Department of Commerce  
Agency Overview

November 2017

For the Economic Affairs Committee

| Montana Department of Commerce - Analysis of 2019 Biennium Budgets |               |                     |                       |                      |             |                       |                       |
|--|---------------|---------------------|-----------------------|----------------------|-------------|-----------------------|-----------------------|
| William Hoffmann -- 10/11/2017                                     |               |                     |                       |                      |             |                       |                       |
| Division   | FIE           | Fund                | State Special         | Federal Special      | LRBP        | Proprietary           | Total                 |
| <b>Office of Tourism &amp; Business Development</b>                |               |                     |                       |                      |             |                       |                       |
| Office of Tourism & Business Development HB 2                      | 22.35         | \$ 5,599,383        | \$ 8,473,051          | \$ 1,600,679         | \$ -        | \$ -                  | \$ 15,673,113         |
| Business Development SA 15-35-108, MCA                             | 4.00          | \$ 2,198,412        | \$ -                  | \$ -                 | \$ -        | \$ -                  | \$ 2,198,412          |
| Promotions & Trade SA 15-65-121 & 90-1-115, MCA                    | 30.50         | \$ -                | \$ 50,298,863         | \$ -                 | \$ -        | \$ -                  | \$ 50,298,863         |
| Big Sky Trust Fund SA 90-1-205, MCA                                | 3.00          | \$ -                | \$ 12,587,153         | \$ -                 | \$ -        | \$ -                  | \$ 12,587,153         |
| Distressed Wood Products SA 90-1-504, MCA                          | 2.00          | \$ -                | \$ 614,076            | \$ 2,103,345         | \$ -        | \$ -                  | \$ 2,717,421          |
| Research & Commercialization SA 90-3-1003, MCA                     | 2.00          | \$ -                | \$ 2,551,573          | \$ -                 | \$ -        | \$ -                  | \$ 2,551,573          |
| <b>Office of Tourism &amp; Business Development:</b>               | <b>63.85</b>  | <b>\$ 7,797,795</b> | <b>\$ 74,524,716</b>  | <b>\$ 3,704,024</b>  | <b>\$ -</b> | <b>\$ -</b>           | <b>\$ 86,026,535</b>  |
| <b>Community Development Division</b>                              |               |                     |                       |                      |             |                       |                       |
| Coal Board   | 1.16          | \$ -                | \$ 7,119,068          | \$ -                 | \$ -        | \$ -                  | \$ 7,119,068          |
| Hard Rock Mining Impact Board                                      | 1.16          | \$ -                | \$ 608,205            | \$ -                 | \$ -        | \$ -                  | \$ 608,205            |
| Housing Trust Fund Program BA                                      | 0.00          | \$ -                | \$ -                  | \$ -                 | \$ -        | \$ -                  | \$ -                  |
| Community Dev. Block Grant (CDBG)                                  | 8.19          | \$ 785,824          | \$ -                  | \$ 16,321,785        | \$ -        | \$ -                  | \$ 17,107,609         |
| Treasure State Endowment Program                                   | 6.17          | \$ -                | \$ 21,980,093         | \$ -                 | \$ -        | \$ -                  | \$ 21,980,093         |
| Community Technical Assistance (CTAP)                              | 2.17          | \$ 870,382          | \$ -                  | \$ -                 | \$ -        | \$ -                  | \$ 870,382            |
| Quality Schools Broadband Program                                  | 3.00          | \$ -                | \$ 2,000,000          | \$ -                 | \$ -        | \$ -                  | \$ 2,000,000          |
| HOME   | 3.61          | \$ -                | \$ -                  | \$ 16,578,904        | \$ -        | \$ -                  | \$ 16,578,904         |
| <b>Community Development Total:</b>                                | <b>25.46</b>  | <b>\$ 1,656,206</b> | <b>\$ 31,707,366</b>  | <b>\$ 32,900,689</b> | <b>\$ -</b> | <b>\$ -</b>           | <b>\$ 66,264,261</b>  |
| <b>MT Facility Finance Authority</b>                               | <b>3.00</b>   | <b>\$ -</b>         | <b>\$ -</b>           | <b>\$ -</b>          | <b>\$ -</b> | <b>\$ 1,103,111</b>   | <b>\$ 1,103,111</b>   |
| <b>Housing Division</b>  |               |                     |                       |                      |             |                       |                       |
| Board of Housing   | 33.50         | \$ -                | \$ -                  | \$ -                 | \$ -        | \$ 9,649,513          | \$ 9,649,513          |
| Housing Division HB 2  | 0.00          | \$ -                | \$ 150,000            | \$ 717,842           | \$ -        | \$ -                  | \$ 867,842            |
| Section 8 Housing  | 21.83         | \$ -                | \$ -                  | \$ -                 | \$ -        | \$ 92,124,881         | \$ 92,124,881         |
|  |               | \$ -                | \$ -                  | \$ -                 | \$ -        | \$ -                  | \$ -                  |
| <b>Housing Division Total:</b>                                     | <b>55.33</b>  | <b>\$ -</b>         | <b>\$ 150,000</b>     | <b>\$ 717,842</b>    | <b>\$ -</b> | <b>\$ 101,774,394</b> | <b>\$ 102,642,236</b> |
| <b>Board of Investments</b>  | <b>32.00</b>  | <b>\$ -</b>         | <b>\$ -</b>           | <b>\$ -</b>          | <b>\$ -</b> | <b>\$ 18,274,136</b>  | <b>\$ 18,274,136</b>  |
| <b>Board of Horse Racing</b>                                       | <b>1.25</b>   | <b>\$ -</b>         | <b>\$ 545,413</b>     | <b>\$ -</b>          | <b>\$ -</b> | <b>\$ -</b>           | <b>\$ 545,413</b>     |
| <b>Montana Heritage Commission</b>                                 | <b>8.00</b>   | <b>\$ -</b>         | <b>\$ 4,387,878</b>   | <b>\$ -</b>          | <b>\$ -</b> | <b>\$ -</b>           | <b>\$ 4,387,878</b>   |
| <b>Director's Office</b>   | <b>19.00</b>  | <b>\$ -</b>         | <b>\$ -</b>           | <b>\$ 1,000,000</b>  | <b>\$ -</b> | <b>\$ 4,408,581</b>   | <b>\$ 5,408,581</b>   |
| <b>Department of Commerce Total:</b>                               | <b>207.89</b> | <b>\$ 9,454,001</b> | <b>\$ 111,315,373</b> | <b>\$ 38,322,555</b> | <b>\$ -</b> | <b>\$ 125,560,222</b> | <b>\$ 284,652,151</b> |

Department of Commerce  
Agency Overview

November 2017

For the Economic Affairs Committee

| Department of Commerce 2019 Biennium Agency Operating Plan |                      |                      |                      |                |
|--|----------------------|----------------------|----------------------|----------------|
|  |                      |                      | 2019 Biennium        | 2019           |
|  | FY 2018              | FY 2019              | Total                | Percent        |
| <b>FTE</b>   | 207.89               | 207.89               | 207.89               | 100.00%        |
| Personal Services  | \$17,043,702         | \$17,216,469         | \$34,260,171         | 12.04%         |
| Operating  | \$31,858,071         | \$31,127,743         | \$62,985,814         | 22.13%         |
| Equipment  | \$62,000             | \$12,000             | \$74,000             | 0.03%          |
| Capital Outlay   | \$-                  | \$-                  | \$-                  | 0.00%          |
| Local Assistance   | \$6,460,729          | \$6,709,944          | \$13,170,673         | 4.63%          |
| Grants   | \$51,340,670         | \$31,227,030         | \$82,567,700         | 29.01%         |
| Benefits & Claims  | \$41,961,470         | \$43,209,847         | \$85,171,317         | 29.92%         |
| Transfers  | \$1,285,000          | \$1,288,000          | \$2,573,000          | 0.90%          |
| Debt Service   | \$1,543,963          | \$2,305,513          | \$3,849,476          | 1.35%          |
| <b>Total Costs</b>   | <b>\$151,555,605</b> | <b>\$133,096,546</b> | <b>\$284,652,151</b> | <b>100.00%</b> |
| <b>Funding</b>   |                      |                      |                      |                |
| General Fund   | \$4,725,578          | \$4,728,423          | \$9,454,001          | 3.32%          |
| State Special  | \$65,602,158         | \$45,713,191         | \$111,315,349        | 39.11%         |
| Federal Special  | \$19,286,630         | \$19,035,949         | \$38,322,579         | 13.46%         |
| LRBP   | \$-                  | \$-                  | \$-                  | 0.00%          |
| Proprietary  | \$61,941,239         | \$63,618,983         | \$125,560,222        | 44.11%         |
| <b>Total Funding</b>                                       | <b>\$151,555,605</b> | <b>\$133,096,546</b> | <b>\$284,652,151</b> | <b>100.00%</b> |

Department of Commerce  
Agency Overview

November 2017

**For the Economic Affairs Committee**

|  |                   |  |  |
|--|-------------------|--|--|
| Montana Department of Commerce           |                   |  |  |
| Analysis of 2017 & 2019 Biennium Budgets |                   |  |  |
| William Hoffmann (841-2720)              | <b>10/11/2017</b> |  |  |

| <b>(1) Commerce 2017 Biennium Budget by Operating Plan</b> |                       |                       |                       |                 |  |
|--|-----------------------|-----------------------|-----------------------|-----------------|--|
|  | FY 2016               | FY 2017               | 2017 Biennium Total   | 2017 Biennium % |  |
| <b>FTE</b>   | 209.89                | 209.89                | 209.89                | 100.00%         |  |
| Personal Services  | \$ 16,829,022         | \$ 17,416,132         | \$ 34,245,154         | 12.20%          |  |
| Operating  | \$ 33,909,793         | \$ 31,030,854         | \$ 64,940,647         | 23.13%          |  |
| Equipment  | \$ -                  | \$ 12,000             | \$ 12,000             | 0.00%           |  |
| Capital Outlay   | \$ 214,116            | \$ -                  | \$ 214,116            | 0.08%           |  |
| Local Assistance   | \$ 6,634,048          | \$ 7,199,048          | \$ 13,833,096         | 4.93%           |  |
| Grants   | \$ 49,397,374         | \$ 28,765,461         | \$ 78,162,835         | 27.84%          |  |
| Benefits & Claims  | \$ 39,762,024         | \$ 44,259,454         | \$ 84,021,478         | 29.93%          |  |
| Transfers  | \$ 1,184,775          | \$ 992,775            | \$ 2,177,550          | 0.78%           |  |
| Debt Service   | \$ 1,572,800          | \$ 1,587,800          | \$ 3,160,600          | 1.13%           |  |
| <b>Total Costs</b>   | <b>\$ 149,503,952</b> | <b>\$ 131,263,524</b> | <b>\$ 280,767,476</b> | <b>100.00%</b>  |  |

| <b>Funding</b>       |                       |                       |                       |                 |  |
|----------------------|-----------------------|-----------------------|-----------------------|-----------------|--|
|                      | FY 2016               | FY 2017               | 2017 Biennium Total   | 2017 Biennium % |  |
| General Fund         | \$ 8,664,636          | \$ 6,376,777          | \$ 15,041,412         | 5.49%           |  |
| State Special        | \$ 62,220,350         | \$ 41,606,972         | \$ 103,827,322        | 36.98%          |  |
| Federal Special      | \$ 19,783,623         | \$ 19,705,730         | \$ 39,489,353         | 14.06%          |  |
| LRBP                 | \$ 387,500            | \$ -                  | \$ 387,500            | 0.14%           |  |
| Proprietary          | \$ 58,447,843         | \$ 63,199,045         | \$ 121,646,889        | 43.33%          |  |
| <b>Total Funding</b> | <b>\$ 149,503,952</b> | <b>\$ 130,888,524</b> | <b>\$ 280,392,476</b> | <b>100.00%</b>  |  |

| <b>(2) Commerce 2019 Biennium Budget by Operating Plan</b> |                       |                       |                       |                 |  |
|--|-----------------------|-----------------------|-----------------------|-----------------|--|
|  | FY 2018               | FY 2019               | 2019 Biennium Total   | 2019 Biennium % |  |
| <b>FTE</b>   | 207.89                | 207.89                | 207.89                | 100.00%         |  |
| Personal Services  | \$ 17,043,702         | \$ 17,216,469         | \$ 34,260,171         | 12.04%          |  |
| Operating  | \$ 31,858,071         | \$ 31,127,743         | \$ 62,985,814         | 22.13%          |  |
| Equipment  | \$ 62,000             | \$ 12,000             | \$ 74,000             | 0.03%           |  |
| Capital Outlay   | \$ -                  | \$ -                  | \$ -                  | 0.00%           |  |
| Local Assistance   | \$ 6,460,729          | \$ 6,709,944          | \$ 13,170,673         | 4.63%           |  |
| Grants   | \$ 51,340,670         | \$ 31,227,030         | \$ 82,567,700         | 29.01%          |  |
| Benefits & Claims  | \$ 41,961,470         | \$ 43,209,847         | \$ 85,171,317         | 29.92%          |  |
| Transfers  | \$ 1,285,000          | \$ 1,288,000          | \$ 2,573,000          | 0.90%           |  |
| Debt Service   | \$ 1,543,963          | \$ 2,305,513          | \$ 3,849,476          | 1.35%           |  |
| <b>Total Costs</b>   | <b>\$ 151,555,605</b> | <b>\$ 133,096,546</b> | <b>\$ 284,652,151</b> | <b>100.00%</b>  |  |

| <b>Funding</b>       |                       |                       |                       |                 |  |
|----------------------|-----------------------|-----------------------|-----------------------|-----------------|--|
|                      | FY 2018               | FY 2019               | 2019 Biennium Total   | 2019 Biennium % |  |
| General Fund         | \$ 4,725,578          | \$ 4,728,423          | \$ 9,454,001          | 3.32%           |  |
| State Special        | \$ 65,602,158         | \$ 45,713,191         | \$ 111,315,349        | 39.11%          |  |
| Federal Special      | \$ 19,286,630         | \$ 19,035,949         | \$ 38,322,579         | 13.46%          |  |
| LRBP                 | \$ -                  | \$ -                  | \$ -                  | 0.00%           |  |
| Proprietary          | \$ 61,941,239         | \$ 63,618,983         | \$ 125,560,222        | 44.11%          |  |
| <b>Total Funding</b> | <b>\$ 151,555,605</b> | <b>\$ 133,096,546</b> | <b>\$ 284,652,151</b> | <b>100.00%</b>  |  |

CI0425 7298pmxa.