

# DEPARTMENT OF COMMERCE

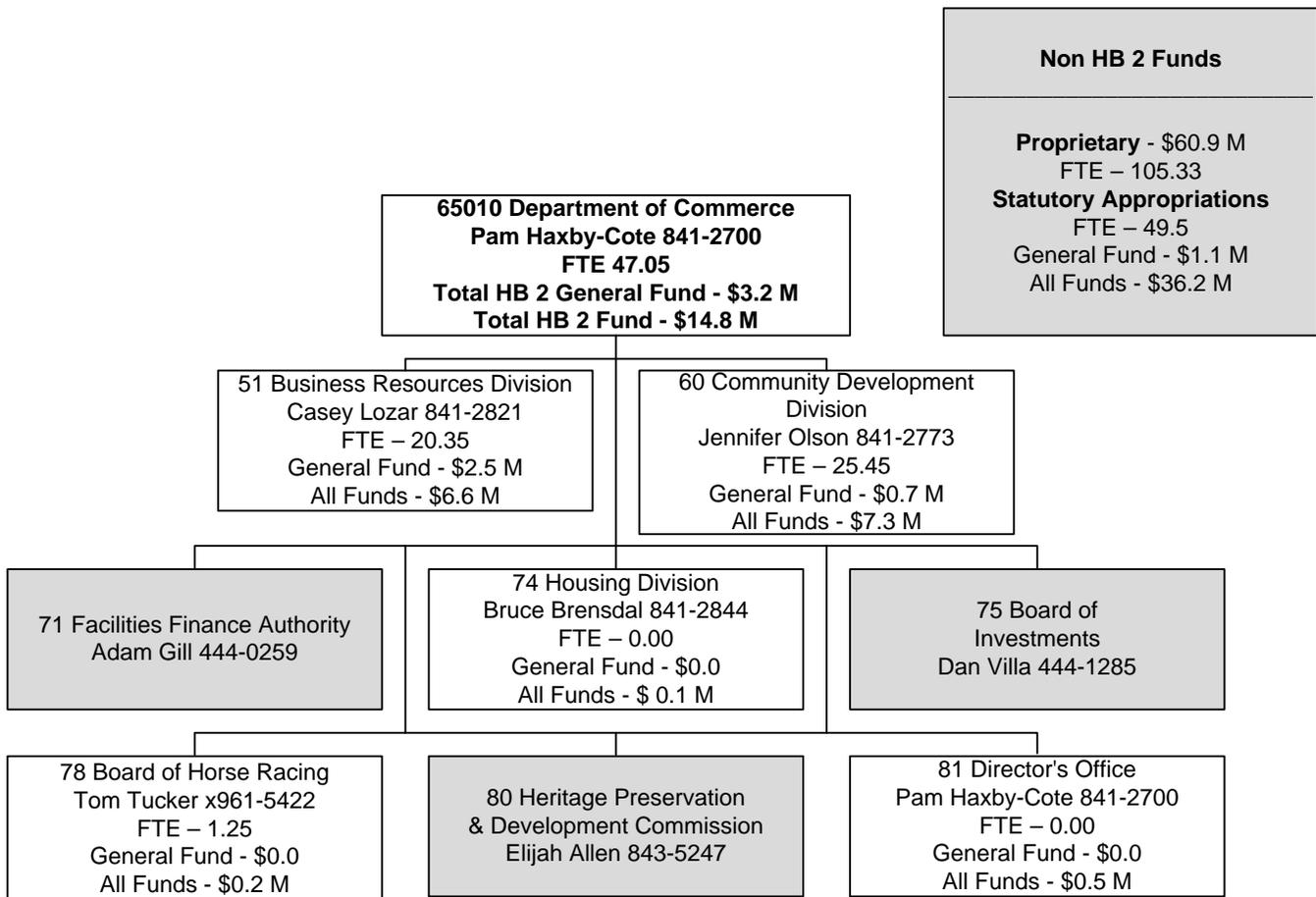
An Agency Profile Prepared by the  
Legislative Fiscal Division

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# INTRODUCTION

The Department of Commerce partners with communities, businesses, and organizations across the state to strengthen Montana’s economy. The Department supports the development of affordable communities, promotes Montana’s nature and towns, and supports the innovative and sustainable industries which strengthen Montana’s economy.

Below is an organizational chart of the office, including full-time employee (FTE) numbers and the HB 2 general fund expenditures and total expenditures from all funds.



## HOW SERVICES ARE PROVIDED

The Department of Commerce provides these services through a structure consisting of eight divisions with the following functions:

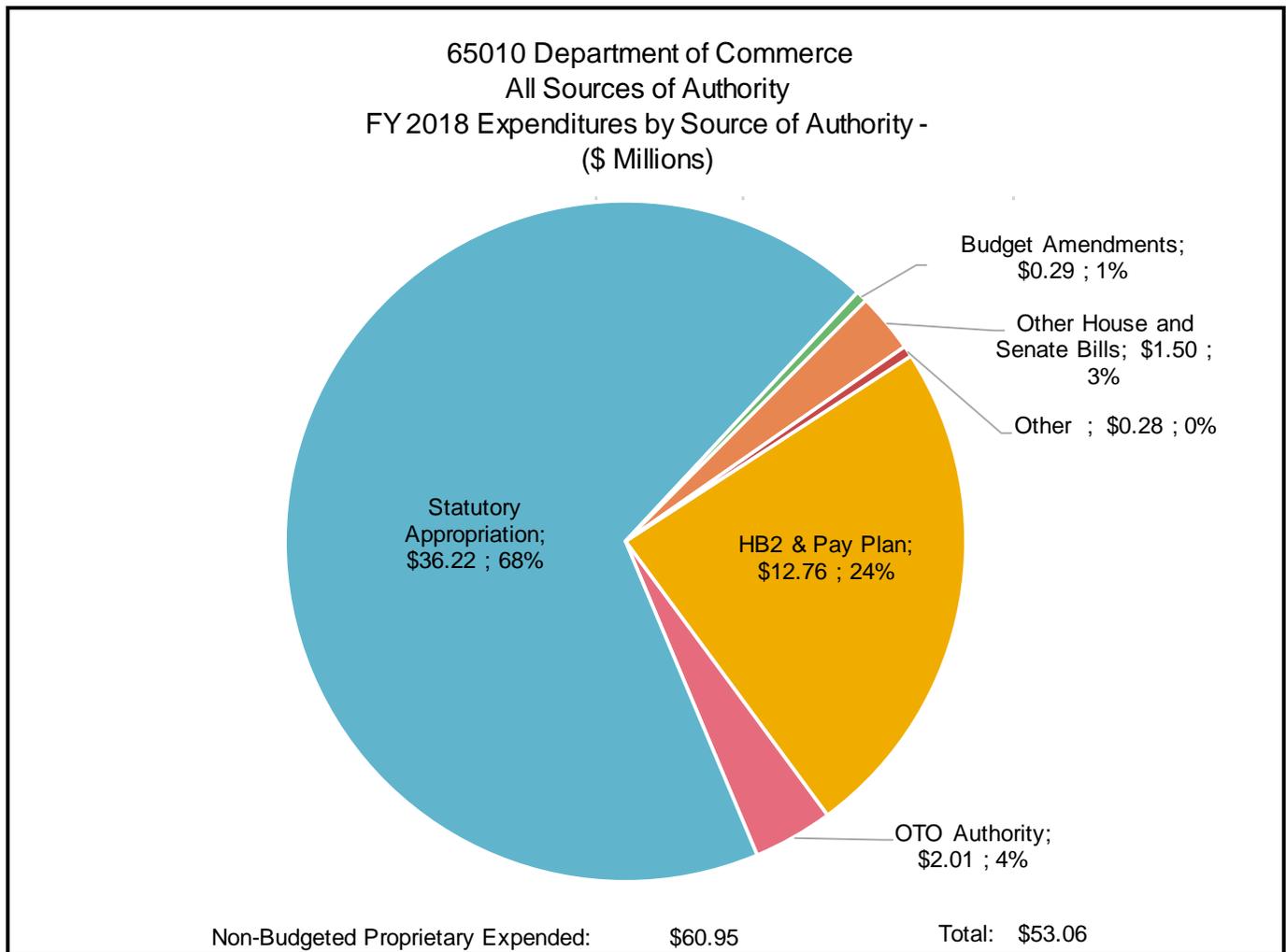
- Montana Office of Tourism and Business Development
  - Organization
    - Budget and Operations Bureau
    - Marketing Bureau
    - Industry Services and Outreach Bureau
    - Business Assistance Bureau
    - Research and Information Services Bureau
  - Services Provided
    - Provides businesses with technical assistance through the Small Business Development Center and trade and international relations
    - Provides Census and Economic Information Center data

- Provides economic development assistance to tribal governments through the Office of Indian Country Economic Development and the State Tribal Economic Development Commission
    - Provides research for commercialization of businesses in Montana using the Board of Research and Commercialization
    - Markets and promotes Montana tourism and film industries
- Community Development Division
  - Organization
    - Community Development Block Grant Program (CDBG)
    - Community Technical Assistance Program (CTAP)
    - HOME Investment Partnership Program (HOME)
    - Treasure State Endowment Program (TSEP)
    - Housing Trust Fund (HTF)
    - Coal Board
    - Hard Rock Mining Impact Board
  - Services Provided
    - Awards CDBG, which are federal funds, to local governments for community development, housing, and public facility projects
    - Awards state funded grants in the TSEP to local governments, water and sewer districts, and tribes' for infrastructure projects throughout the state; grants are awarded by the Legislature
    - Awards state funded grants to local governments, tribes, school districts, and special districts to remediate effects of coal mining on communities in designated coal development areas
    - Provides technical assistance, analysis, mitigation, and mediation services to local governments and hard rock mining developers where potentially adverse public fiscal impacts from largescale development are identified
    - Provides state funded grants and technical assistance to non-profit organizations and local governments for downtown revitalization and historic preservation
    - Awards federal funded block grants in the HOME to create affordable housing for low-income households
    - Awards federal funded block grants in the HTF to create affordable housing for extremely low-income households
    - Provides technical assistance in land use and planning to local governments and the public and private sector for the purposes of aiding and encouraging orderly, productive, and coordinated development of the communities of the state (CTAP)
- Facility Finance Authority
  - Assists non-profit healthcare and human service facilities and pre-release centers acquire low-interest and low-cost capital financing
- Housing Division
  - Supports safe and affordable housing in communities throughout Montana through rental assistance, federal housing tax credits, construction financing, rehabilitation financing, and low interest mortgages
- Board of Investments
  - Invests essentially all State of Montana funds including daily cash amounts, trust funds, and pension monies
  - Provides short-term investment alternatives to local governments
  - Administers loan programs that support Montana businesses and municipalities
- Board of Horse Racing
  - Monitors and regulates the horse racing industry in Montana
- Heritage Preservation and Development Commission
  - Manages and preserves historic cultural properties and artifacts for the State of Montana (notably Virginia City, Nevada City, and Reeder's Alley in Helena)

- Director's Office
  - Provides overall leadership, communication, and management support to agency staff, programs, bureaus, divisions, and administratively attached boards
  - Maintains a federally funded contract with the Montana Council on Developmental Disabilities

## SOURCES OF SPENDING AUTHORITY

The chart below shows expenditures by all sources of authority for the Department of Commerce in FY 2018. Statutory appropriation expenditures comprised the majority of the FY 2018 expenditures at the Department of Commerce. The majority of these expenditures were from lodging and facility taxes and the Big Sky Economic Development fund. Statutory appropriation funds were also expended on the Distressed Wood Products Program, Research and Commercialization, Hard Rock Mining, the Board of Horse Racing, the Board of Investments, and the Montana Heritage Commission.



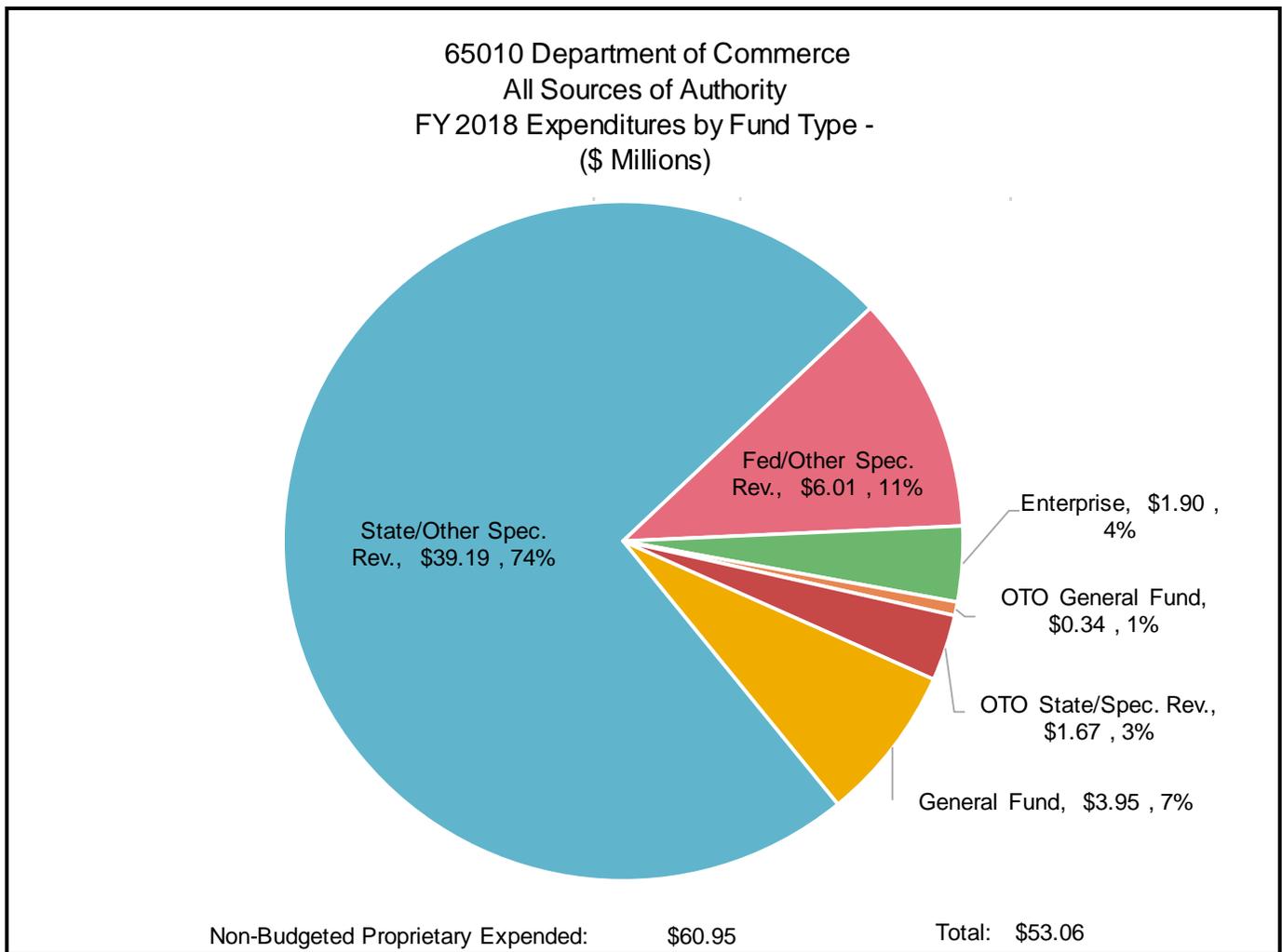
## FUNDING

The chart below shows FY 2018 actual expenditures by fund type for all sources of authority. Expenditures from all sources of authority were primarily comprised of enterprise and internal service funds and state special revenue funds.

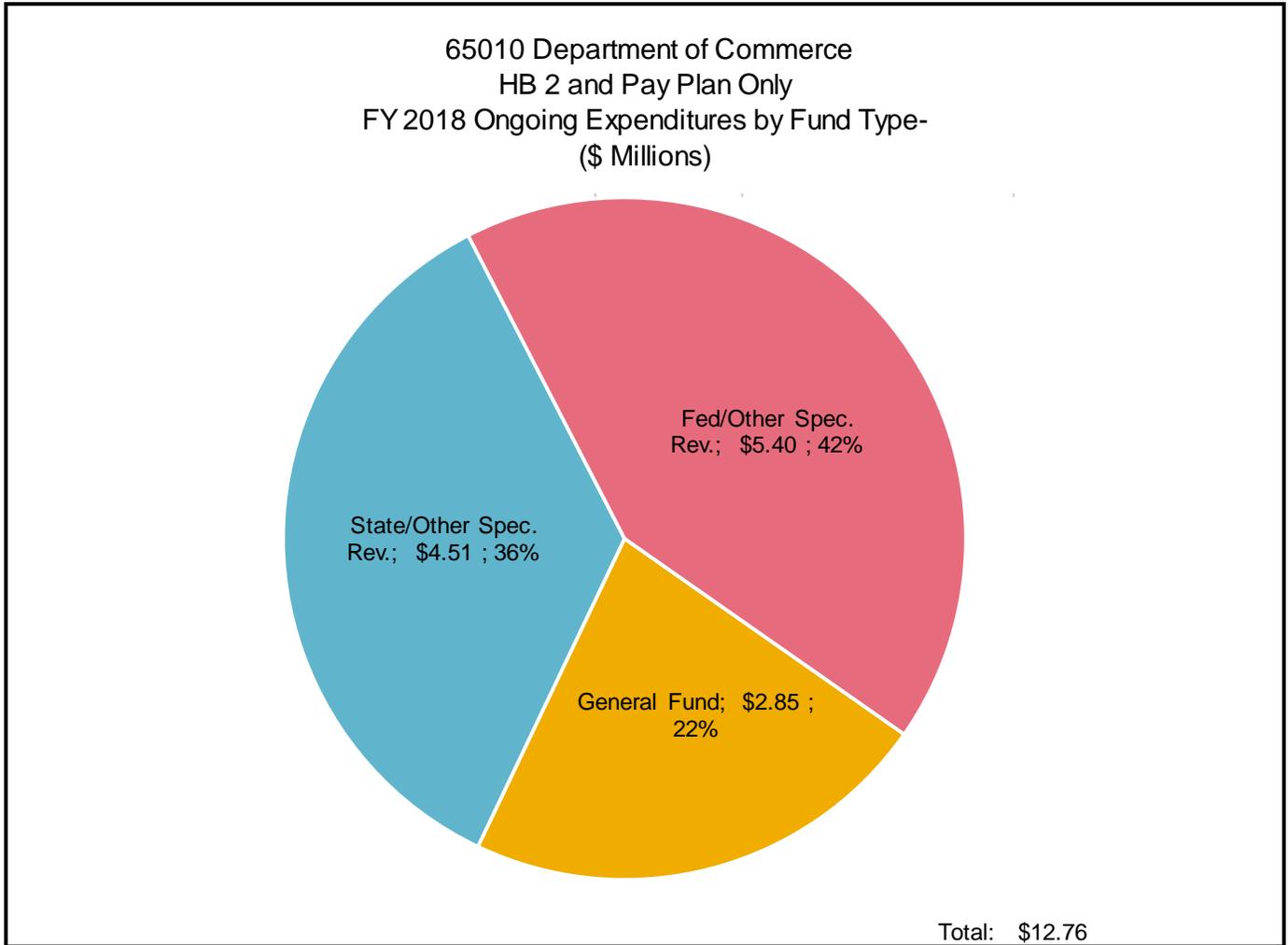
Enterprise and internal service fund expenditures totaled \$62.85 million. The department had enterprise funds that were statutorily appropriated and primarily expended on debt service on Montana Economic Development Bonds. These expenditures totaled approximately \$1.90 million and are included in the enterprise category in the pie chart below. The department also had non-budgeted proprietary expenditures that totaled \$60.95 million in FY 2018 (include as a total at the bottom of the chart). This included enterprise fund expenditures in the Montana Facility Finance Authority, Housing Division, and Board of Investments that totaled \$52.66 million as well as internal service fund expenditures in the Board of Investments and Director's Office that totaled \$8.28 million.

While the Department of Commerce has several state special revenue funds, the most significant expenditures were from the following funds:

- The accommodation tax account, which funds tourism and film promotion at the Department of Commerce
- The regional accommodation tax account, which funds regional nonprofit tourism corporations as defined in 15-65-101(6), MCA
- Treasure State Endowment Program, which assists local governments in funding infrastructure projects such as drinking water systems, wastewater treatment facilities, sanitary sewer or storm sewer systems, solid waste disposal and separation systems, and bridges
- Big Sky Economic Development Program, which provides funds to promote economic development

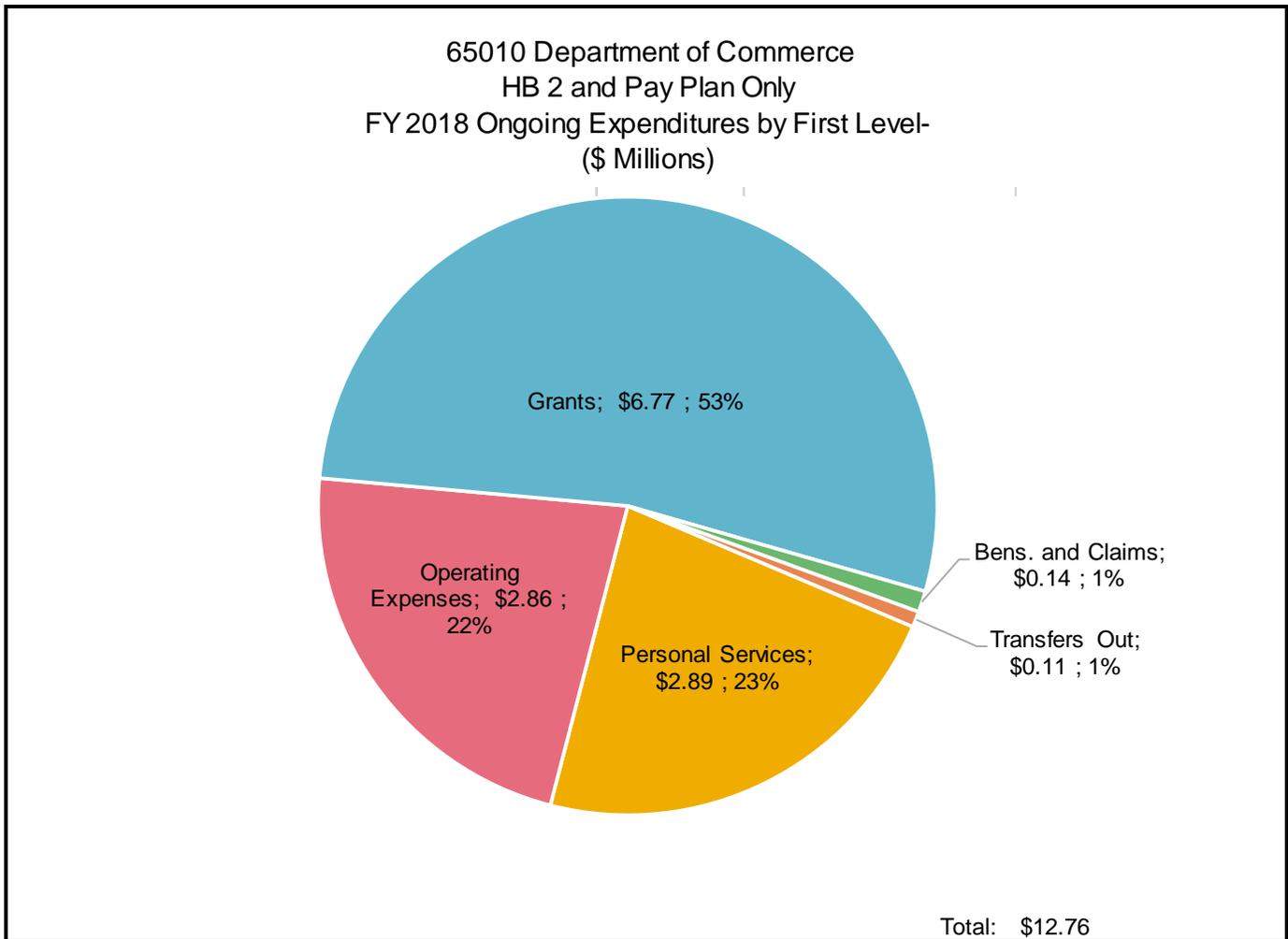


The chart below shows the Department of Commerce's HB 2 and pay plan expenditures by fund type. Federal special revenues were 42.0% of all HB 2 and pay plan expenditures. These expenditures are primarily comprised of CDBG and HOME grants.



## EXPENDITURES

The chart below explains how HB 2 and pay plan authority was spent. Grants comprised the majority of expenditures in the Department of Commerce. The largest grant expenditures were related to CDBG, HOME, and Coal Board grants.



## HOW THE 2019 LEGISLATURE CAN EFFECT CHANGE

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

- Grant and loan/financing program priorities – such changes may include defining eligibility criteria, ranking criteria, identifying specific types of 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 measurable 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 – such changes may include defining eligibility criteria, ranking criteria, identifying specific types of projects that are preferred, and setting minimum or maximum amounts for grants and loans

## MAJOR COST DRIVERS

Activity for the Department of Commerce varies depending upon:

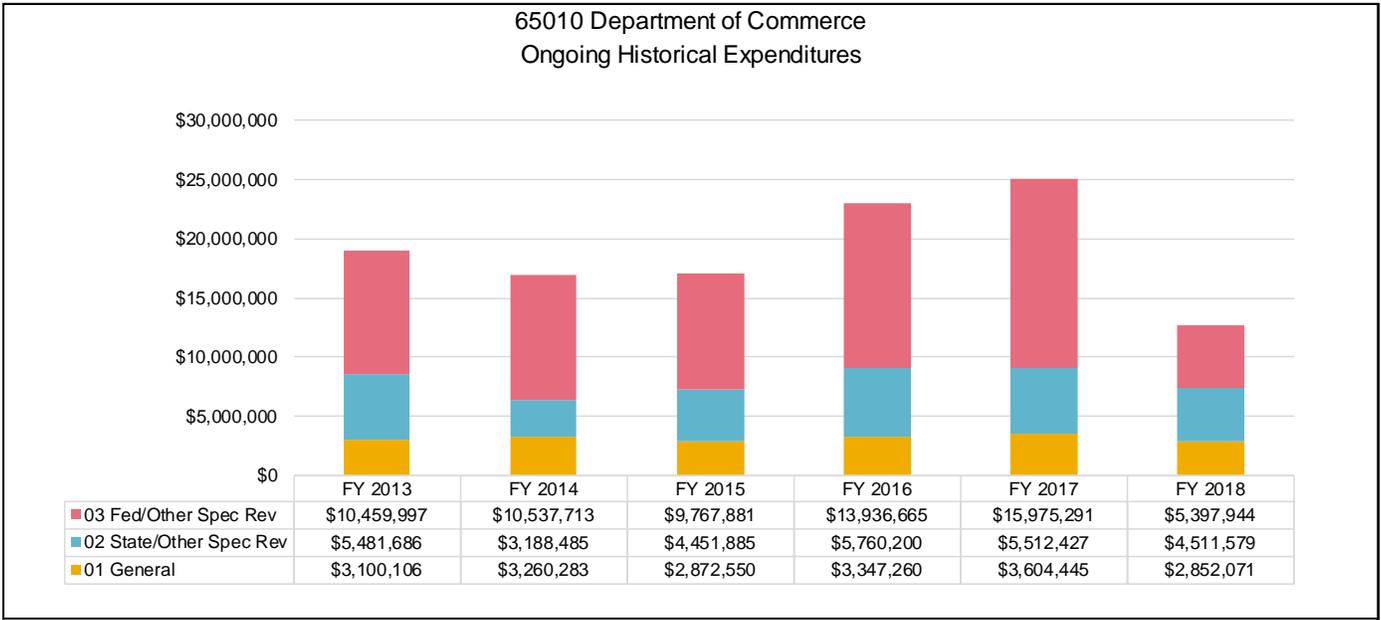
- Financing costs for investments for Montana
- Housing market
- Level of coal mined that generates funding for projects
- Recreational and tourism activities

Element	FY 2016	FY 2018	Significance of Data
Research and Commercialization funding	\$365 million	\$398 million	Cumulative level of follow-on-funding generated by projects
Primary Sector Workforce Training	\$1.223 million	\$770,070	Awards provided to Montana businesses
Indian Country Economic Development (ICED)	<p>1,198 client assistance trainings provided in partnership with the Native American Business Advisor (NABA) Program</p> <p>43 businesses assisted in creating/retaining 65 jobs through all programs (Indian Equity Fund, Native American Business Advisor, Native American Collateral Support, and Montana Indian Language Preservation)</p> <p>8 tribal business enterprises assisted with strategic business planning via Tribal Business Planning Grant</p>	<p>1,778 client assistance trainings provided in partnership with the Native American Business Advisor (NABA) Program</p> <p>47 businesses assisted in creating/retaining 98 jobs through all programs (Indian Equity Fund, Native American Business Advisor, Native American Collateral Support, and Montana Indian Language Preservation)</p> <p>8 tribal business enterprises assisted with strategic business planning via Tribal Business Planning Grant</p>	Jobs created/retained/trained
Number of Nonresident Visitors	11.73 million - CY 2015	12.48 million - CY 2017	Impacts of tourism promotion
Amount of Out-of-State Tourism Dollars	\$3.66 billion - CY 2015	\$3.36 billion - CY 2017	Impacts of tourism promotion
Number of CDBG Public Facilities and Housing Grants Awarded	9	13	Fluctuations in federal funding
Amount of Single Family Mortgages (HD)	\$80.00 million	\$112.00 million	Total mortgages provided
Amount of Section 8 Rental Assistance	\$40.0 million	\$42.00 million	Low-income assistance provided
Amount of Section 8 Housing Customers	7,800	7,800	Impacts of recession on allocations
Total Assets Invested by the Board of Investments	\$16.7 billion	\$18.6 billion (unaudited)	Level of the fiduciary responsibility of the board (fiduciary net position)

## FUNDING/EXPENDITURE HISTORY

The following table shows historical changes in the Department of Commerce's funding and expenditures. Significant changes in expenditures include:

- Increases in Community Development Block Grants and HOME grants expenditures in FY 2016 and FY 2017
- Decreases in Community Development Block Grants and HOME grants expenditures in FY 2018 (Note: Federal funding is dependent upon the approval of the federal budget and distribution process. Federal funds allocated to the department can be unpredictable and do not align with state fiscal years. Therefore, federal funding availability for awards or project expenditures will occur at various times throughout the biennium)
- Reductions approved during the 2017 Legislative Session and the November 2017 Special Session resulted in decreased personal services, operating expenses, and grants in FY 2018



**MAJOR LEGISLATIVE CHANGES IN THE LAST TEN YEARS**

Major changes in the last ten years include:

- 2017 Legislature
  - The Legislature reduced the distribution of lodging facility tax proceeds to the Department of Commerce by 0.5%. This 0.5% was allocated to a state special revenue account for use by the State-Tribal Economic Development Commission for activities in the Indian tourism region.
  - The Legislature eliminated the Quality Schools Facility Grant Program in SB 307. The Legislature took steps to create replacement programming for the purpose of K-12 school facility maintenance with the passage of SB 260 and SB 307, which will be administered through the Office of Public Instruction
- 2015 Legislature
  - The Legislature approved increasing the amount of funding available from the permanent coal tax trust fund for the Montana Veteran’s Loan Program by \$10.0 million, from the current amount of \$30.0 million to \$40.0 million. Statute authorized the Board of Housing to take the loan servicing fees and administrative charges from the interest paid by the borrower. The fiscal note for the bill estimates that the 2017 biennium cost of the program will be \$50,000.
- 2009 Legislature
  - The Legislature created the Quality Schools Facility Grant Program, provided an account for future funding, required the deposit of specific revenues in to the account, created an initial appropriation of \$12.0 million over the 2011 biennium, and created a statutory appropriation of \$1.0 million annually for school technology specific purposes.
  - The Legislature reallocated 2.9% of coal severance tax revenue from the general fund to the oil, gas, and coal natural resources account. This change doubles the current allocation for a period of four years beginning in FY 2010 and continuing through FY 2013.
  - The 2009 Legislature created the Distressed Wood Products Industry Revolving Loan Program and a statutory appropriation to the department for the purposes described in the bill.