

Appendix A: Economic Development Programs in Montana A review by program type, statute, funding, and recipients

In response to a request by the Economic Affairs Interim Committee for a history of economic development programs in Montana, staff in the Legislative Services Division's Office of Research and Policy Analysis and in the Legislative Fiscal Division began looking at economic development programs in Montana. The question of what qualifies as economic development is open to interpretation. In general, the staff limited this review to programs defined in statute as having an economic development aspect and excluded programs related to housing and road construction, even though both have major economic impacts in a community. The rationale is that, while road contractors are major employers in Montana and road construction provides a major boost to the economy, the purpose of this review is to address those programs that the state has funded directly or funded as match for federal dollars as a way of building business in Montana. Housing and road dollars are more one-time expenditures per project and not necessarily projects with sustained recycling and introduction of follow-on revenues. Nevertheless, there are some projects here that many do not consider economic development. They are listed because the statutes under which they are created include economic development as a purpose.

More than 55 statutes in the Montana Code Annotated include a reference to economic development in some form as an intent of the statute. These statutes shape programs that address:

- Water and sewer infrastructure--a basic requirement for economic development (the Treasure State Endowment program)
- Research and commercialization
- Growth through agriculture
- Microbusiness development
- Other programs, such as tourism promotion, as they relate to either the use of state funds directly or as match for federal dollars.

The following tables list:

- 1) state-backed programs that have major commitments of state funds; and
- 2) federal programs that have additional state match provided through various programs.

Information from the Department of Commerce and the Department of Agriculture was key to developing the tables.

Not included in the tables are the Montana Manufacturing Extension Center, which receives \$200,000 a year under 15-35-108 through June 30, 2010, and the Department of Commerce Export Trade Enhancement program, which receives \$300,000 a year under 15-35-108 through June 30, 2010. The Manufacturing Extension Center provides training programs for manufacturing firms, sometimes in groups and sometimes individually. The Export Trade Enhancement program also works broadly as well as specifically to promote trade at home and abroad.

The following construct may be helpful in reviewing where money currently is being spent on economic development in Montana:

- Community-development assistance (*e.g. Treasure State Endowment*).
- Economic stability/maintenance--addresses the 75.6% of Montana businesses with fewer than 10 employees. (*Representative programs include: Microbusiness Development Loans and Growth Through Agriculture.*)
- Economic growth for up-and-coming businesses/existing businesses. (*These programs would include research and commercialization funding and workforce training.*)

Federal-Backed State Economic Development Initiatives by Business Development Stage

Early Stage - Advice/Training Assistance/Other	
Program	Small Business Innovation Research and Small Business Technology Transfer Programs
Federal Intent	The SBA Office of Technology awards SBIR Rural Outreach grants based on the underserved criteria determined by Congress (P.L. 105-35). States and territories can receive \$2 of federal funding for each \$1 of nonfederal matching funds they invest in the effort. (SBA website)
Montana Intent	To first identify then assist through outreach MT companies in applying for federal grants, with the longer-term goal of expanding Montana's economic base.
Funding	<ul style="list-style-type: none"> • State assigns \$50,000 in federal CDBG administrative funds to this program. • 15-35-108, MCA, provides \$50,000 annually to this program until 6/30/2010. • HB 2 in 2003 - \$16,278
Montana Overall Results	<p>2003 -- 21 MT firms received more than \$5.6 million in grants. 2002 -- 26 MT firms received more than \$5.3 million in grants. 2001 -- 35 MT firms received more than \$11 million in grants. 2000 -- 24 MT firms received more than \$5 million in grants. (MT Dept. of Commerce website for basic details)</p>
Recipients More detail is available on file.	<p>Samples of 2003 planning awards:</p> <ul style="list-style-type: none"> • American Chemet Corp. (development of nanophase additive systems for copper-based applications) • Buffalo Jump, LLC, Missoula (ecological models, GIS, and remote sensing applications for natural resources) • Gerion, Columbia Falls (development of a nontoxic desiccant) • Wolf Creek Trails, Wolf Point (cold-weather greenhouse with integrated heating sources) <p>Samples of 2003 implementation grants, with associated U.S. granting agencies:</p> <ul style="list-style-type: none"> • Arbuckle Ranch (performance of Innovative Native Seed Harvester, \$75,000 - USDA) • Golden Helix, Inc. (software relating genes to disease & clinical outcomes, \$918,059- NIH) • MSE Technologies, Inc. (enhanced dense nonaqueous phase liquid degradation by thermophilic bioaugmentation of electrical resistance heating, \$99,969 - NSF) • Montana Microbial Products (microbial enhancement of soybeans for salmonid diets, \$99,970 - NSF) • Montec Research (production of silicon esters with an advanced enzymatic reactor technology, \$100,000 - NSF) • PFM Manufacturing (rapid-deployment, 3-D seismic reflection system, \$494,296 - NSF) • Purity Systems, Inc. (gallium and germanium recovery from acidic and alkaline ore leaches w/ selective silica-polyamine composites, \$100,000 - NSF) • SensoPath (dendrimer-immobilized antibody kits for detection of bioterror pathogens, \$99,957 - NSF) • Visual Learning Systems, Inc. (discovery analyst: a data-mining system for image databases, \$500,000 - NSF)

Program	Community Development Block Grants
Federal Intent	<p>Department of Housing and Urban Development works with states to award grants to local government units that carry out development activities. Each state sets funding priorities and criteria for projects. HUD states as the CDBG goal: "to ensure decent affordable housing for all, and to provide services to the most vulnerable in our communities, to create jobs and expand business opportunities." Not less than 70% of the CDBG funds must be used for activities benefitting low- and moderate-income persons. (HUD website)</p>
Montana Intent	<p>90-1-103, MCA, assigns CDBG to the Department of Commerce. Commerce reallocates funding to nonmetropolitan local governments, which may use the money directly for program purposes or may loan the money to the private sector to create or retain jobs for low- and moderate-income persons. (Currently Billings, Great Falls, and Missoula are classified as metropolitan governments for CDBG purposes and receive money directly from HUD.)</p> <p>CDBG funds may be used for working capital, equipment, real property, and job training costs. Requirements for businesses obtaining loans is that 51% of jobs must be for low- and moderate-income people at wages of \$25,000 or more.</p> <p>A Department of Commerce brochure states that the CDBG funds are to be used where "a funding gap exists and alternative sources of public and private financing are not adequate."</p> <p>Loan repayments may be retained by the local government for relending within the community.</p>
Funding	<p>Federal funding in program year 2004 (spring to spring):</p> <ul style="list-style-type: none"> • \$8,013,727 awarded in total. • \$340,412 for Department of Commerce administration. • Of the \$7,673,315 remaining, 2/3 goes for housing and public facilities, and • \$2,557,772 for CDBG grants. <p>Montana funding in HB 2:</p> <ul style="list-style-type: none"> • \$156,920 for administration for FY 2003 • \$160,275 for administration for FY 2004
Montana Overall Results	<p>2003: \$2,295,800 -- match of \$88,239,688. Jobs proposed: 135; created to date: 33; retained: 14</p> <p>2002: \$2,782,512 -- match of \$32,494,594. Jobs proposed: 164; created to date: 14; retained: --</p> <p>2001: \$2,713,000 -- match of \$13,777,292. Jobs proposed: 242; created to date: 202.77; retained: 43</p> <p>2000: \$1,198,200 -- match of \$10,268,493. Jobs proposed: 994*; created to date: 81.84; retained: 117</p> <p>*Includes 510 jobs projected for Stream International in Kalispell, which has closed.</p> <p>Note: Retained means that the job otherwise would have been terminated.</p>

Recipients	<p>2003 grant/loan awards:</p> <ul style="list-style-type: none"> • Columbia Falls (for Creative Sales, 5% @ 10 yrs) Proposed jobs: 12. Actual created to date: 21. Actual retained: 14 • Livingston (for PrintingForLess.com, 5% @ 7 yrs) Proposed jobs: 40. Actual created to date: 12 • Belgrade (for Bacterin Inc., 5% @ 5 yrs) Proposed jobs: 23. Contract awarded 1/05/2004 <p>2003 loan:</p> <ul style="list-style-type: none"> • Glasgow (for AW Pratt, no terms listed) Proposed jobs: 25. Actual created to date: -- <p>2003 grant</p> <ul style="list-style-type: none"> • Cascade County (water line -- International Malting Co.) Proposed jobs: 35. <p>2003 planning grants:</p> <ul style="list-style-type: none"> • Lincoln County • Lewis and Clark County • Chester • Eureka • Havre • Lewistown • Red Lodge • Saco • Wibaux
Program	Community Development Block Grants (Direct to 3 Montana Counties)
Cascade	<p>CDBG grant in 1990 of \$240,000, which was loaned to Plasnetics. Repaid \$201,007. Wrote remainder off 7/2003. Secondary loans from proceeds of this grant: not reported</p>
Missoula	<p>CDBG grants:</p> <ul style="list-style-type: none"> • 1995 -- \$490,000, made to Missoula Children's Theatre. • 1998 -- \$260,000, made to Nutritional Laboratories International. • 2000 -- \$368,000, made to Pyramid Mountain Lumber Co. <p>From the proceeds of these loans, secondary loans have been made to:</p> <ul style="list-style-type: none"> • Montana Community Development Corp. Revolving Loan Fund, \$90,000. Of this amount, three businesses have been assisted since 2000. One continues in business. One continues to make loan payments. The third's loan has been declared uncollectible. • Endobiologics, \$125,000. • Good Food Store, \$250,000.
Yellowstone	<p>In 1998 awarded the following grants for primary loans:</p> <ul style="list-style-type: none"> • Montana Territory Meats, \$142,000. • ESP Stairs, \$29,000. • Cattle Development Center, \$181,000. <p>From the proceeds of these loans, secondary loans have been made:</p> <ul style="list-style-type: none"> • Two loans to ESP Stairs, one at \$20,000 and the other unavailable.

Program	Economic Development Administration Revolving Loan Fund
Federal Intent	U.S. Dept. of Commerce administers through the Economic Development Administration grants "for infrastructure development, local capacity building, and business development to help communities alleviate conditions of substantial and persistent unemployment and underemployment in economically distressed areas and regions." (from www.eda.gov website)
Montana Intent	Montana received a federal EDA grant in 1989 of \$840,000. The state applies the same criteria for an EDA loan as for CDBG loans: they may be used for working capital, equipment, and real property as well as job training direct cost reduction funds. Since CDBG loans are repaid to the county or city and the EDA loans are repaid to the state, cities and counties usually first seek CDBG money.
Funding	Montana combined the one-time EDA grant of \$840,000 from the federal government with \$300,000 of CDBG funds into a revolving loan fund. The combined returns on principal and interest are recirculated when available.
Montana Overall Results	In the EDA program, the state grants money to a city or county, which loans to a business. The business repays to the state. The program appears to have a high default rate in part because of the limited funds, in part because of higher risk. The first loan of \$780,000 was paid back but half was recorded as principal and half as interest, indicating a loan loss. Other loans have lost ground. Some have gained. (See below.)
Recipients	<ul style="list-style-type: none"> • 2003 - Yellowstone County, Cattle Development Center, \$269,000 (reloaned from 1998) Proposed jobs: 14. • 1999 - Ravalli County - Big Sky Mushroom, \$125,000 (no payments received; business closed) Proposed jobs: 19. Actual created: 5. • 1999 - Richland County - Moo Juice, \$400,000 (no payments received; business closed) Proposed jobs: 21. Actual created: 68. • 1998 - Fergus County - Hi-Heat, \$200,000 at 6% for 7 yrs -- (still making payments) Proposed jobs: 15. Actual created: 32. • 1998 - Yellowstone County RLF - Cattle Development Center, \$269,000 at 6% for 7 yrs. (re-loaned in 2003 - see above) • 1994 - Butte-Silver Bow, Mycotech RLF, \$340,000 at 6% for 10 yrs. (closed, payment of \$350,208 within 3 years) Proposed jobs: 41. Actual created: 37. • 1992 - Havre/Hill County, Water Chef, \$340,000 at 5% for 10 yrs. (defaulted, payment of less than \$9,000, business closed) Proposed jobs: 59. Actual created: 0. • 1990 - Beaverhead County, Centennial Foods RLF, \$780,000 at 6% for 10 years (closed, paid \$411,001 in principal and approximately \$379,000 in interest.) Proposed jobs: 17. Actual created: 5. • 1989 - West Yellowstone, Akers RLF, \$40,000 at 5% for 20 years (closed, paid \$17,285) Proposed jobs: 10. Actual created -- not recorded.

Program	Small Business Development Centers
Federal Intent	The U.S. Small Business Administration administers a Small Business Development Center program "to provide management assistance to current and prospective small business owners. SBDCs offer one-stop assistance to individuals and small businesses by providing a wide variety of information and guidance in central and easily accessible branch locations." SBDCs are a national effort. Each state has at least one lead center to coordinate economic development by providing management and technical assistance through a cooperative effort of the private sector, the educational community, and federal, state, and local governments. (from SBA website: http://www.sba.gov/sbdc/mission.html)
Montana Intent	Montana has 10 SBDCs that operate out of local development organizations. They are accredited at the national level, with oversight at the state level. The purpose locally is to provide business consulting and low-cost group training to businesses and prospective entrepreneurs.
Funding	<p>Each year the SBA awards \$500,000 to Montana. 15-35-108, MCA, allocates \$125,000 annually (through 6/30/2010) to the MT Department of Commerce for a Small Business Development Center. Another \$89,999 is allocated from the Dept. of Commerce/Board of Research and Development.</p> <p>SBA requires 50% of the state's SBDC program funds as a cash match. The state uses the \$125,000 as match and asks that each subcenter contribute \$20,000 as a cash match annually. The additional match and other funding comes from local development corporations.</p> <p>Of the SBA total, \$100,000 is used for the state lead center (in Helena). The remaining \$400,000 is distributed quarterly to the 10 subcenters.</p>
Montana Overall Results	<p>In 2003:</p> <ul style="list-style-type: none"> • Served 1,500 clients (46% service, 19% retail, 16% manufacturing, 5% construction, and 2% wholesale) • Total Project Value = \$54.4 million <p>In 2002</p> <ul style="list-style-type: none"> • Served 1,460 clients. • Total Project Value = \$48,129,690

Recipients	<p>SBDCs located in:</p> <p>Billings (Big Sky Economic Development Authority, 9 counties)</p> <ul style="list-style-type: none"> • In 2003 - Served 245 clients. Project value - \$26,711,500. Jobs created/retained: 113/175. • In 2002 - Served 253 clients. Project value - \$26,407,000. Jobs created/retained: 174/646. <p>Bozeman (Gallatin Development Corp., 2 counties)</p> <ul style="list-style-type: none"> • In 2003 - Served 263 clients. Project value - \$5,785,824. Jobs created/retained: 82/101. • In 2002 - Served 235 clients. Project value - \$4,104,608. Jobs created/retained: 43/59. <p>Butte (Headwaters RC&D Area, Inc., 7 counties)</p> <ul style="list-style-type: none"> • In 2003 - Served 139 clients. Project value - \$3,488,249. Jobs created/retained: 28/0. • In 2002 - Served 149 clients. Project value - \$1,792,827. Jobs created/retained: 24/4. <p>Colstrip (Southeastern Montana Development Corp., 9 counties)</p> <ul style="list-style-type: none"> • In 2003 - Served 94 clients. Project value - \$2,039,170. Jobs created/retained: 26/50. • In 2002 - Served 95 clients. Project value - \$2,059,803. Jobs created/retained: 18/11. <p>Great Falls (Great Falls Development Authority, Inc., 6 counties, part of Glacier)</p> <ul style="list-style-type: none"> • In 2003 - Served 187 clients. Project value - \$972,800. Jobs created/retained: 40/39. • In 2002 - Served 189 clients. Project value - \$586,600. Jobs created/retained: 23/36. <p>Havre (Bear Paw Development Corp., 5 counties)</p> <ul style="list-style-type: none"> • In 2003 - Served 72 clients. Project value - \$2,402,136. Jobs created/retained: 13/60. • In 2002 - Served 56 clients. Project value - \$1,751,800. Jobs created/retained: 3/24. <p>Helena (Gateway Economic Development Corp., 3 counties)</p> <ul style="list-style-type: none"> • In 2003 - Served 187 clients. Project value - \$462,000. Jobs created/retained: 21/29. • In 2002 - Served 142 clients. Project value - \$2,076,100. Jobs created/retained: 26/42. <p>Kalispell (Kalispell Area Chamber of Commerce, 3 counties, part of Glacier)</p> <ul style="list-style-type: none"> • In 2003 - Served 123 clients. Project value - \$8,245,000. Jobs created/retained: 83/53. • In 2002 - Served 130 clients. Project value - \$7,086,000. Jobs created/retained: 79/109. <p>Missoula (Montana Community Development Corp., 4 counties)</p> <ul style="list-style-type: none"> • In 2003 - Served 190 clients. Project value - \$2,577,220. Jobs created/retained: 33/74. • In 2002 - Served 152 clients. Project value - \$523,335. Jobs created/retained: 9/13. <p>Wolf Point (Great Northern Development Corp., 7 counties)</p> <ul style="list-style-type: none"> • In 2003 - Served 68 clients. Project value - \$1,754,339. Jobs created/retained: 20/43. • In 2002 - Served 59 clients. Project value - \$1,741,617. Jobs created/retained: 21/35.
Program	Rural Development Rural Business Cooperative Services (RBS)
Federal Intent	<p>This program, operated by the U.S. Department of Agriculture, works in partnership with the private sector and community-based organizations to provide financial assistance and business planning. The program helps fund projects that create or preserve quality jobs and/or promote a clean rural environment. The financial resources are often leveraged with those of other public and private credit source lenders to meet business and credit needs in underserved areas. Recipients may include individuals, corporations, partnerships, cooperatives, public bodies, nonprofit corporations, Indian tribes, and private companies. (MT Dept. of Commerce through mtfinanceonline.com)</p>

Types of Programs and Federal Funding	<p>Types of programs:</p> <ul style="list-style-type: none"> • business and industry guaranteed loans (80% of loans < \$5 million; 70% of loans between \$5 million and \$10 million, 60% of loans up to \$25 million, with prior approval from USDA.) FY 2003 funding as of 9/30/03 - guarantee for one loan of \$4,480,000 (est. 30 jobs) • rural business enterprise grant - 8 grants totaling \$707,749 (est. 721 jobs) • rural business opportunity grant - 2 grants totaling \$67,100 (est. 302 jobs) • rural economic development loans and grants - 1 project totaling \$400,000 (est. 17 jobs) • intermediary relending program - 4 projects totaling \$2,597,000 (est. 268 jobs) • rural cooperative development grant - 1 project totaling \$186,015 (est. 360 jobs)
Funding	In FY 2003, federal funds obligated to RBS for Montana amounted to \$9,474,864, according to the Montana Rural Development office in Bozeman.
Montana Overall Results	For the approximately \$9.5 million obligated in FY 2003 funds, an estimated 174 businesses were served, associated with 1,765 jobs.
Recipients	Not specified.
Program	Workforce Investment Act
Federal Intent	The Workforce Investment Act of 1998 is intended to "increase the employment, retention, and earnings of participants, and increase occupational skill attainment by participants, and, as a result, improve the quality of the workforce, reduce welfare dependency, and enhance the productivity and competitiveness of the Nation."
Montana Intent	Montana's Department of Labor and Industry receives Workforce Investment Act funding. For the past 4 years, the Governor's Office has distributed discretionary WIA funds (15% of total awarded state) to the Department of Commerce under an agreement with DOLI for customized incumbent workforce training. The Department of Labor and Industry applies the bulk of WIA funds to programs affecting: adults, youth, and dislocated workers. The list below refers only to workforce training funds spent by Commerce to help retain jobs.
Funding (Governor's discretionary funds)	<p>2003 - \$609,000</p> <p>2002 - \$800,000</p> <p>2001 - \$368,000</p> <p>2000 - \$150,000</p>
Montana Overall Results	Match required: \$1 for \$1 investment.

Recipients	<ul style="list-style-type: none"> • 2003 - Montana Manufacturing Equipment Center - \$115,000 • 2003 - Jore Corp. - \$25,000 • 2002 - Rosebud County, Tongue River Lumber - \$25,000 • 2002 - Ravalli County/Hamilton, Corixa Corp. - \$75,615 • 2002 - Montana Manufacturing Equipment Center - \$115,000 • 2002 - Big Sky Airlines - \$48,120 • 2002 - Pasta Montana - \$25,000 • 2002 - Summit Aeronautics Group - \$75,000 • 2002 - Dynojet Research - \$25,000 • 2002 - Phillips Environmental Products - \$25,000
Early Stage - Advice/Training Assistance/Other	
Program	Montana Cooperative Development Center
Funding	<p>Under 15-35-108, MCA, the state funds the center at \$65,000 each year through 6/30/2010.</p> <p>Federal funding from Rural Cooperative Development Grants:</p> <ul style="list-style-type: none"> 2003 - \$51,400 2002 - \$291,652 2001 - \$299,400 2000 - \$190,000 <p>Total federal funding to date - \$832,452. Total state funding to date - \$260,000</p>
Montana Intent	<p>The program's mission is to serve as a statewide resource for community-based development and assistance. The MCDC promotes cooperative action to meet the economic needs of rural Montana. It develops, promotes, and coordinates educational programs, technical assistance, and research related to cooperative forms of business. In particular, the Center focuses on cooperatives that provide "value-added" processing of Montana's agriculture, forestry, energy, and mineral products. The Center has new offices in Great Falls, with four FTEs.</p>
Montana Overall Results	<p>\$65,000 per year since 2000 has resulted in \$260,000, which has been matched with \$832,452 in federal funds.</p>

Recipients	<p>2004 projects include:</p> <ul style="list-style-type: none"> • Montana Branded Beef Association, a group of 60 cow/calf producers studying the feasibility of a value-added cooperative for finishing, processing, and distribution to a retailer of beef products. • Great Northern Growers Cooperative, growers of specialty crops developed by Montana State University plant breeders. Test plots of a specialty high-protein oat planted in Arizona, to be harvested for seed in Spring 2004. • Marias River Vegetable Producers Co-op, conducting a feasibility study, due in May 2004, of a vegetable processing facility in Chester, which will allow area producers to participate in a local market and ship to larger markets through the cooperative. • Peaks and Prairies Oil Seed Growers Cooperative, conducting a feasibility and business planning study to determine the co-products, along with biodiesel, of a vegetable oil seed-crushing and processing plant. • Technical Assistance Network, ongoing services by technical assistants who provide hands-on help in coordination with economic developers and extension agents. Project 8 assistants by April 2004.
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State-Backed Economic Development Initiatives by Business Development Stage

Early Stage - Advice/Training Assistance/Other	
Program	Certified Regional Development Corps.
Statute(s)	90-1-116, MCA, defines a certified regional development corporation as "a private, nonprofit corporation that has been designated by the department through a competitive process to manage and administer funds and programs for the department on a regional basis." Established by HB 76 in 2003.
Funding	15-35-108, MCA, sets aside \$425,000 a year through 6/30/2010 for grants to be distributed by the MT Department of Commerce to certified regional development corporations.
Program Criteria	<ul style="list-style-type: none"> • Match - Each \$1 of grant to be matched with \$1 of public/private sources. • Limited to 12 CRDCs statewide • Must be used for economic development programs on file with Commerce. • Must maintain certification as specified by Commerce.
Montana Overall Results	In the award stage now.
Recipients	In the award stage now.
Early Stage -- Research/Commercialization	

Program	Research and Commercialization
Statute(s)	<p>Title 90, chapter 3, part 10.</p> <p>90-3-1001, MCA - Purpose and definition. Includes:</p> <ul style="list-style-type: none"> • providing "a predictable and stable source of funding for research and commercialization projects conducted in the state that demonstrates...that Montana recognizes the important contributions that research and commercialization endeavors offer to the state's basic industries" • expanding and strengthening "research efforts for the state's basic industries to increase their economic impact on the state's economy" • expanding "research efforts into areas beyond the scope of the state's basic industries to diversify and strengthen the state's economic security through the creation of technology-based operations and long-term quality jobs" <p>90-3-1002, MCA - Sets up a special revenue account for a permanent source of funding and to pay the costs of administering the projects.</p> <p>90-3-1003, MCA - Describes the use of the account by type of support:</p> <ul style="list-style-type: none"> • loans • grants • matching funds for grants • administrative costs
Funding	15-35-108 Coal tax severance taxes - \$3.65 million a year through 6/30/2010.
Program Criteria	<p>90-3-1003, MCA - Describes types of fundable projects:</p> <ul style="list-style-type: none"> • with promise for enhancing technology-based sectors of MT economy; • with realistic, achievable project design; • with link to research/commercialization strengths in state's university system or private sector research establishment; • with scientific merits and sufficient expertise, among other criteria. <p>At least 20% of funds for projects "that enhance production agriculture."</p>
Montana Overall Results	<p>No loans made to date, only grants.</p> <p>Total disbursed from FY 2001 to FY 2004 = \$16,638,324.</p> <p>Of that amount:</p> <ul style="list-style-type: none"> • 51 awards to university system • 8 awards to companies • 2 awards to nonprofits <p>Estimated additional funds attracted to project or made as match - \$66,859,276</p>

Recipients (These are samples. File is available that provides more projects.)	<u>FY 2004-05 Funded Projects</u>	<u>R&C Amt</u>	<u>Match</u>	<u>Follow-on</u>
	UM-Missoula, Metal processing, recovery, etc.	\$182,000	\$53,160	premature
	Resonan, Inc., Real-time coal/ore grade sensor	\$88,578	\$198,487	"
	EPSCoR NSF match: UM-Missoula, MSU-Bozeman	\$3,000,000	\$6,000,000	"
	MSU-Bozeman, Genes re: malting barley grain	\$164,480	\$73,900	"
	MSU-Bozeman, Field detection bioterrorism diseases	\$118,500	\$45,125	"
	MSU-Bozeman, Improved hay barley varieties	\$66,232	\$64,081	"
	MSU-Bozeman, Value-added crops (irrig./dryland)	\$150,000	\$66,000	"
	MSU-Bozeman, Laser-related autocorrelator	\$67,750	\$22,585	"
	MSU-Bozeman, Rewritable optical memory material	\$120,000	\$48,125	"
	MSU-Bozeman, Solid-stemmed wheat varieties	\$150,000	\$60,000	"
	MSU-Bozeman, Mfg/marketing of biofilm reactor type	\$146,608	\$49,240	"
	MSU-Bozeman, Treatment of sewage by fungi, etc.	\$300,000	\$130,000	"
	LigoCyte Pharmaceuticals, In vitro transfection reagent	\$300,000	\$504,384	"
	Int'l Heart Institute/UM-Missoula, Heart tissue valve	\$299,700	\$293,850	"
	<u>FY 2000 Funded Projects</u>	<u>R&C Amt</u>	<u>Match</u>	<u>Follow-on</u>
	MSU-Bozeman, Indian Rice Grass	\$205,300	\$125,750	\$233,178-USDA
	MSU-Bozeman, Market opportunities for specialty herbs, essential oil crops	\$114,000	\$114,530	\$49,980 -Ag +1
	MSU-Bozeman, Transfer in plant sciences	\$150,000	\$150,000	\$413,654 - (+ 4)
	MSU-Bozeman, Wheat stem sawfly mngmnt	\$243,862	\$619,746	\$11,000 - (+2)
	MSU-Bozeman, Gene discoveries re feed barley	\$110,000	\$162,200	--
	McLaughlin Research Inst., mouse/human genes	\$176,801	\$625,800	\$132,610 - MDA
	MSU-Bozeman, Subsurface biofilm barriers	\$131,530	\$176,778	\$425,442 - (+ 4)
	UM-Missoula, Applied research, biomedicine	\$200,000	\$200,000	\$3,737,500- (+ 7)
	MSU-Bozeman, Adhesives w/o VOCs	\$100,000	\$106,000	\$492,574 - (+ 2)
	MSU-Bozeman, Suspended coupon biofilm reactor	\$142,100	\$213,150	\$1,106,686 - EPA
	MSU-Bozeman, Vaccines for e-coli, scours, etc.	\$400,000	\$400,000	\$2,851,341 - (+ 4)
MSU-Bozeman, Bioimaging, therapy for cancer	\$300,000	\$300,000	\$946,588 - (+ 3)	
UM-MT Tech, Coal/ore grade sensor (see Resonan)	\$226,569	\$259,637	--	
Early Stage -- Infrastructure (Water/Sewer)				
Program	Treasure State Endowment Program			
Statute(s)	Title 90, chapter 6, part 7. 90-6-702, MCA - Purpose, including job creation, promotion of economic growth in Montana "by helping to finance the necessary infrastructure," among other purposes.			

Funding Mechanism	<p>17-5-703, MCA - Established within the Coal Severance Tax Trust Fund. Two endowments - one called the Treasure State Endowment Fund and the other a Treasure State Endowment Regional Water System Fund, which is provided for until June 30, 2016. Earnings not transferred to the treasure state special revenue accounts may be retained in the respective endowment funds.</p> <p>May 2000 Special Session - additional appropriation of \$425,000 for preliminary engineering studies in FY 2001-02 and FY 2003-04.</p> <p>2001 Legislature - appropriation of \$100,000 for emergency projects.</p>
Program Criteria	<p>Eligible applicants: cities, towns, counties, consolidated governments, tribal governments, county/multicounty water, sewer, or solid waste districts. Money may be used only for drinking water systems, wastewater treatment facilities, sanitary or storm sewer projects, solid waste disposal, and separation systems, and bridges.</p>
Montana Overall Results	<p>FY 2005-06 Biennium Project Requests: \$21,902,149 for construction projects Expected funds availability: \$15,817,695.</p> <p>FY 2004 - Projects in 29 counties/communities. Total awards of \$389,500. FY 2003 - Projects in 26 counties/communities. Total awards of \$11,071,500. FY 2002 - Projects in 8 counties/communities. Total awards of \$1,716,438. FY 2001 - Projects in 54 counties/communities. Total awards of \$14,089,260.</p> <p>FY 1999 - Projects in 25 counties/communities. Total of \$11,171,096 awarded. FY 1998 - Projects in 3 counties/communities. Total of \$1,410,760 awarded. FY 1997 - Projects in 23 counties/communities. Total of \$10,146,048 awarded. FY 1995 - Projects in 16 counties/communities. Total of \$5,208,329 awarded. FY 1993 - Projects in 21 counties/communities. Total of \$3,884,458 awarded</p> <p>Total FY 1993 - FY 2004 awards of \$59,087,389 (based on report entitled "CDBG, ED, and TSEP Applicants and Funding History 1982 - 2004", revised 9/17/2003)</p>
Recipients	Summaries available.
Early Stage -- Research/Business Assistance/Startup Assistance -- Grants -- Loans	
Program	Growth Through Agriculture
Statute(s)	<p>Title 90, chapter 9, parts 1 through 4. 90-9-102, MCA - Purpose, includes strengthening and diversifying Montana's agricultural industry; job creation; expansion of small business opportunities.</p>

Funding Mechanism	<p>15-35-108, MCA - \$1.25 million annually through 6/30/2010. A separate provision in 15-35-108 deposits into a state special revenue fund coal severance taxes for "payment of the costs of participating in regional and national networking, conservation districts, and the Montana Growth Through Agriculture Act."</p> <table border="0" style="width: 100%;"> <tr> <td style="width: 60%;">Specific accounts*</td> <td style="text-align: right;">FY 2004</td> <td style="text-align: right;">FY 2005</td> </tr> <tr> <td>Coal Tax Severance Shared - HB 2</td> <td style="text-align: right;">\$450,065</td> <td style="text-align: right;">\$452,355</td> </tr> <tr> <td>GTA Capital Seed Account</td> <td style="text-align: right;">\$187,103</td> <td></td> </tr> <tr> <td>Statutory appropriation (15-35-108)</td> <td style="text-align: right;">\$1,250,000</td> <td style="text-align: right;">\$1,250,000</td> </tr> <tr> <td>GTA Grant Fund</td> <td style="text-align: right;"><u>\$80,000</u></td> <td></td> </tr> <tr> <td>Total</td> <td style="text-align: right;">\$1,967,168</td> <td style="text-align: right;"><u>\$1,702,355</u></td> </tr> </table> <p>*Information provided by Legislative Fiscal Division</p>	Specific accounts*	FY 2004	FY 2005	Coal Tax Severance Shared - HB 2	\$450,065	\$452,355	GTA Capital Seed Account	\$187,103		Statutory appropriation (15-35-108)	\$1,250,000	\$1,250,000	GTA Grant Fund	<u>\$80,000</u>		Total	\$1,967,168	<u>\$1,702,355</u>																																																
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Montana Overall Results	<p>FY 2004 Total investment - \$792,727.50 Total match - \$1,997,380.50</p> <ul style="list-style-type: none"> • Approximately \$305,000 provided in grants • Approximately \$487,000 provided in loans <table border="0" style="width: 100%;"> <tr> <td>FY 2003 Total investment -</td> <td style="text-align: right;">\$522,616</td> <td>Total match -</td> <td style="text-align: right;">\$6,150,017</td> <td>Jobs -</td> <td style="text-align: right;">37</td> </tr> <tr> <td>FY 2002 Total investment -</td> <td style="text-align: right;">\$968,153</td> <td>Total match -</td> <td style="text-align: right;">\$2,797,935</td> <td>Jobs -</td> <td style="text-align: right;">31.5</td> </tr> <tr> <td>FY 2001 Total investment -</td> <td style="text-align: right;">\$1,024,267</td> <td>Total match -</td> <td style="text-align: right;">\$3,342,094</td> <td>Jobs -</td> <td style="text-align: right;">152</td> </tr> <tr> <td>FY 2000 Total investment -</td> <td style="text-align: right;">\$267,930</td> <td>Total match -</td> <td style="text-align: right;">\$998,302</td> <td>Jobs -</td> <td style="text-align: right;">6</td> </tr> <tr> <td>FY 1999 Total investment -</td> <td style="text-align: right;">\$430,027</td> <td>Total match -</td> <td style="text-align: right;">\$2,129,778</td> <td>Jobs -</td> <td style="text-align: right;">19</td> </tr> <tr> <td>FY 1998 Total investment -</td> <td style="text-align: right;">\$321,394</td> <td>Total match -</td> <td style="text-align: right;">\$478,693</td> <td>Jobs -</td> <td style="text-align: right;">1.5</td> </tr> <tr> <td>FY 1997 Total investment -</td> <td style="text-align: right;">\$260,665</td> <td>Total match -</td> <td style="text-align: right;">\$464,621</td> <td>Jobs -</td> <td style="text-align: right;">7</td> </tr> <tr> <td>FY 1995 Total investment -</td> <td style="text-align: right;">\$215,399</td> <td>Total match -</td> <td style="text-align: right;">\$220,353</td> <td>Jobs -</td> <td style="text-align: right;">16</td> </tr> <tr> <td>FY 1994 Total investment -</td> <td style="text-align: right;">\$178,649</td> <td>Total match -</td> <td style="text-align: right;">\$194,756</td> <td>Jobs -</td> <td style="text-align: right;">0</td> </tr> <tr> <td>FY 1993 Total investment -</td> <td style="text-align: right;"><u>\$291,981</u></td> <td>Total match -</td> <td style="text-align: right;"><u>\$608,546</u></td> <td>Jobs -</td> <td style="text-align: right;"><u>1</u></td> </tr> <tr> <td>Totals FY 1989 - FY 2004 -</td> <td style="text-align: right;">\$7,987,784</td> <td>Total match -</td> <td style="text-align: right;">\$36,438,356</td> <td>Jobs -</td> <td style="text-align: right;">360</td> </tr> </table>	FY 2003 Total investment -	\$522,616	Total match -	\$6,150,017	Jobs -	37	FY 2002 Total investment -	\$968,153	Total match -	\$2,797,935	Jobs -	31.5	FY 2001 Total investment -	\$1,024,267	Total match -	\$3,342,094	Jobs -	152	FY 2000 Total investment -	\$267,930	Total match -	\$998,302	Jobs -	6	FY 1999 Total investment -	\$430,027	Total match -	\$2,129,778	Jobs -	19	FY 1998 Total investment -	\$321,394	Total match -	\$478,693	Jobs -	1.5	FY 1997 Total investment -	\$260,665	Total match -	\$464,621	Jobs -	7	FY 1995 Total investment -	\$215,399	Total match -	\$220,353	Jobs -	16	FY 1994 Total investment -	\$178,649	Total match -	\$194,756	Jobs -	0	FY 1993 Total investment -	<u>\$291,981</u>	Total match -	<u>\$608,546</u>	Jobs -	<u>1</u>	Totals FY 1989 - FY 2004 -	\$7,987,784	Total match -	\$36,438,356	Jobs -	360
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Program	Microbusiness Development Loan Program
Statute(s)	Title 17, chapter 6, part 4. 17-6-402, MCA - Purpose, includes encouraging economic development, particularly through help to businesses of fewer than 10 full-time equivalent employees and gross revenues of less than \$500,000 a year.
Funding	Appropriation in 1991 (Chapter 602) -- \$3.25 million Appropriation in 1995 (Chapter 413) -- \$3.5 million Dept. of Commerce internal funding provided by the 2.75%/year interest paid on original loans made by state to Microbusiness Development Loan Centers.
Program Criteria	Loans up to \$35,000 for working capital, equipment, fixed assets. Interest rate to organizations of 2.75%. Organizations that receive state money must have a match of \$6 for every \$1 in MDL money. One-sixth of the state MDL money must be held in reserve. A revolving loan fund allows all the programs to recycle loan proceeds to additional businesses.
Montana Overall Results	Since program start in 1992 through 12/31/2003: <ul style="list-style-type: none"> • Microloans made - 788 • Initial state input - \$5,563,881 • Total MBDC loan values as of 12/31/03 - \$12,695,911 • Loans paid - 462 • Value of MBDC loans paid off - \$6,739,787 • Jobs created - 950 • Jobs maintained - 696

<p>Recipients (Details are available for certain programs)</p>	<p>1992 - Bear Paw Development Corp., Havre Loans made - 121. Initial state input - \$1,150,852. Total loan value 12/03 - \$2,569,089</p> <p>1992 - District VII HRDC, Billings Loans made - 98. Initial state input - \$498,000. Total loan value 12/03 - \$1,270,926</p> <p>1992 - District IX HRDC, Bozeman** Loans made - 41. Initial state input - \$250,000. Total loan value 12/02 - \$583,568</p> <p>1992 - Northwest Business Center, Kalispell Loans made - 79. Initial state input - \$499,148. Total loan value 12/03 - \$1,445,289</p> <p>1993 - District VI HRDC, Lewistown** Loans made - 25. Initial state input - \$171,000. Total loan value 12/03 - \$334,663</p> <p>1993 - Headwaters RC&D Area, Inc., Butte Loans made - 41. Initial state input - \$327,226. Total loan value 12/03 - \$805,383</p> <p>1993 - Enterprise Opportunity, Inc., Glendive** Loans made - 22. Initial state input - \$180,000. Total loan value 9/01 - \$213,401</p> <p>1993 - Opportunities, Inc., Great Falls** Loans made - 35. Initial state input - \$419,452. Total loan value 12/03 - \$695,994</p> <p>1993/2000 - Great Northern Development Corp., Wolf Point (inherited program) Loans made - 59. Initial state input - \$630,000. Total loan value 12/03 - \$1,044,538</p> <p>1996 - Montana Community Development Corp., Missoula Loans made - 125. Initial state input - \$671,000. Total loan value 12/03 - \$1,899,972</p> <p>1998 - Gateway Economic Development Corp., Helena (inherited program) Loans made - 131. Initial state input - \$578,713. Total loan value 12/03 - \$1,678,975</p> <p>1998 - Southeastern Montana Development Corp., Colstrip** Loans made - 11. Initial state input - \$188,490. Total loan value 12/03 - \$268,500</p> <p>**These programs have opted out of the MBDC program and either have paid the state back for the original loans or are in the process of paying the state back. They continue to service outstanding loans. Loans are being paid back at 2.75%/year simple interest, paid quarterly. Those that have not yet finished paying the state back are no longer loaning MBD money. Bozeman, Glendive, and Lewistown all have paid back the state in full for their loans. Glendive's last report was as of closure 9/30/01. Bozeman's last report was as of closure 12/30/02. Lewistown reported 12/31/03. The organizations that have paid off state funds can now put the returns from the outstanding loans into a revolving loan fund and make loans without the Microbusiness Development Loan requirements.</p>
<p>Venture Capital Stage -- Business Startups -- Assistance at Equity Finance Stage</p>	
<p>Program</p>	<p>Montana Capital Company Act</p>
<p>Statute(s)</p>	<p>Title 90, chapter 8, is the Montana Capital Company Act. 90-8-102, MCA - Declaration of policy, which includes encouragement of "the formation of venture and equity capital in Montana for use in diversifying, strengthening, and stabilizing the Montana economy".</p>

Funding	According to 90-8-202(3)(b), the total credits authorized for all companies under the act accumulated to no more than \$8 million. Tax credits were to be allocated by January 1, 1991, although unused credits could be reallocated. 90-8-204, MCA, limited tax credits to those companies that had raised at least \$500,000 in capital before June 30, 1995, and had met other requirements. No tax credits remain available. Prior to 1991, the state allowed \$5.94 million in tax credits. In 1995 another \$750,000 in tax credits were provided.
Program Criteria	As the act was amended, tax credits were available up to 50% of an investment, but not more than \$150,000 or \$250,000 per investor/taxpayer, depending on the type of investment company (simple qualified and certified with capitalization of \$200,000 or more, or qualified and certified small business investment firm capitalized at \$500,000 or more).
Montana Overall Results	<p>Participants - 13 capital companies. All have met investment requirements and been decertified.</p> <p>Total investment - Difficult to determine since only 70% of the amount of capitalization required under act had to be invested before companies could receive all tax credits and be decertified. Capitalization was more than \$15 million, but not all that amount had to be invested.</p> <p>Tax credits related to investment - \$6.69 million (one report said \$7.61 million)</p> <p>Jobs created - No required reporting. A Legislative Fiscal Division study from 1990 indicated 220 jobs, but not all of these were new. Three of the businesses that received investments closed or went bankrupt.</p>
Recipients	<p>Reports not available for 12 of the companies.</p> <p>Glacier Venture Fund, which was the last of the companies to qualify for tax credits, reported on the following investments in January 2004:</p> <ul style="list-style-type: none"> • LigoCyte Pharmaceuticals, Bozeman, growth in jobs estimated at 37. • PrintingForLess.com, Livingston, growth in jobs estimated at 67. • ImpleMax Equipment Co., Bozeman, growth in jobs estimated at 5. • Phillips Environmental Products, Belgrade, growth in jobs estimated at 12.
Venture Capital Stage -- Business Startups -- Assistance at Equity Finance Stage	
Program	Science and Technology Alliance
Statute(s)	Title 90, chapter 3. Repealed. Oversight assigned to Board of Investments.
Funding	Funded through the in-state investment program of the coal tax trust fund.

Program Criteria	Loans were to be for innovative technology and for proposals exhibiting public-private sector collaboration with the prospect of commercial success and job creation (90-3-502, MCA). Matching funds were required.				
Montana Overall Results	Total investment authority		\$12,500,000		
	Total invested		<u>\$10,843,619</u>		
	Balance reverted to coal tax trust fund		\$ 1,656,381		
Recipients	<u>Venture Capital Loans</u>	<u>Loaned</u>	<u>Paid Principal</u>	<u>Paid Interest</u>	<u>Status</u>
	ChromatoChem, Inc.	\$350,000	\$2,650	\$850	due 12/06
	Gateway Software	\$509,150	\$334,150	\$296,000	due 6/08
	Nurture, Inc.	\$1,225,000	\$719,786	\$11,563	warrants exp 6/05
	Lattice Materials	\$555,000	\$555,000	\$448,426	paid up
	Mycotech, Inc.	\$1,211,013	\$330,000	\$837,635	active
	Optima Industries	\$700,000	\$139,500	\$160,500	paid up
	Ultrafem, Inc.	\$700,000	\$209,698	--	bankrupt
	TMA Tech/Schmitt Ind'ry	\$1,455,956	\$179,383	\$36,738	active
	Northern Rockies Venture Fnd	\$1,000,000	--	\$32,200	due 1/05
	Glacier Venture Fund, L.P.	\$1,000,000	--	--	due 4/06
	Positive Systems	\$550,000	\$3,853	\$9,342	active
	Keep It Simple Systems, Inc.	\$75,000	\$30,357	--	active
	Pasta Montana	\$350,000	\$337,449	\$102,514	wrote off \$12,551 principal
	Safe Shop Tools	<u>\$162,500</u>	--	--	due
	Subtotals	\$9,843,619	\$2,861,826	\$1,935,768	
	<u>Job Investment Loans</u>	<u>Loaned</u>	<u>Paid Principal</u>	<u>Paid Interest</u>	<u>Status</u>
	Spectrum Pool Products	\$400,000	\$400,000	\$64,161	paid off
	Yellowstone Ace Hardware	\$100,000	\$100,000	\$18,922	paid off
	Pasta Montana	\$500,000	\$480,198	\$167,552	wrote off \$19,803 principal
	Subtotals	\$1,000,000	\$980,198	\$250,635	
	<u>Research/Develop. Loans</u>	<u>Loaned</u>	<u>Paid Principal</u>	<u>Paid Interest</u>	<u>Status</u>
	Deaconess Research Institute	\$500,000	\$251,779	\$287,416	active
	McLaughlin Research Institute	\$500,000	\$105,777	\$71,415	active
	University Systems	<u>\$10,027,506</u>	<u>\$1,850,246</u>	<u>\$954,754</u>	active
	Subtotals	\$11,027,506	\$2,207,802	\$1,313,585	
	Total	\$21,871,125	\$6,049,826	\$3,499,988	